

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 6

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

At Sydney on Monday 27 July 2015

The Committee met at 9.00 a.m.

PRESENT

The Hon. P. Green (Chair)

The Hon. L. Amato

The Hon. R. Borsak

The Hon. S. Cotsis

The Hon. B. C. Franklin

The Hon. N. Maclaren-Jones

The Hon. P. T. Primrose

Mr D. M. Shoebridge

The Hon. E. K. C. Wong

CHAIR: Good morning, ladies and gentlemen. I welcome you to the first hearing of the General Purpose Standing Committee No. 6 inquiry into local government in New South Wales. The inquiry is examining the Government's Fit for the Future reform agenda for local government in this State. Before I commence I acknowledge the Gadigal people who are the traditional custodians of this land, pay my respect to the elders past and present of the Eora nation and extend that respect to any Aboriginal people who may be present with us or watching today.

Today's hearing is the first of six hearings the Committee plans to hold for this inquiry. Today we will hear from the Office of Local Government, Local Government NSW, Associate Professor Roberta Ryan from the Centre for Local Government from the University of Technology Sydney, former members and a consultant to the Independent Local Government Review Panel, the Committee for Sydney and a panel representing three councils in the Sydney metropolitan area.

Before we commence I make some brief comments about the procedures for today's hearing. The hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. 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. Also I remind media representatives that they must take responsibility for what they publish about the Committee's proceedings.

It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing. Therefore, I urge witnesses to be careful about any comments they may make to the media or to others after they complete their evidence as such comments would not be protected by parliamentary privilege if another person decided to take action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat.

There may be some questions that witnesses can only answer if they had more time or with certain documents to hand. In those circumstances witnesses are advised that they can take a question on notice and provide that answer within 21 days. Witnesses are advised that any messages should be delivered via the Committee clerks. Finally, could everyone please either turn off their mobile phones or put them on silent for the duration of the hearing. I now welcome our first witnesses from the Office of Local Government.

STEVEN JONATHON ORR, Deputy Chief Executive, NSW Office of Local Government, sworn and examined, and

MARCIA DOHENY, Chief Executive, NSW Office of Local Government, affirmed and examined:

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

Ms DOHENY: Thank you, Mr Chair. I would like to spend about five minutes just taking the Committee through the key elements of the reform program to date. I will be speaking briefly about Destination 2036, the work of the Independent Local Government Review Panel and the Fit for the Future process. Before I do so I want to emphasise that the work that has been done in accordance with this reform program has been done very much in partnership with Local Government NSW and with individual councils. In fact, this has been acknowledged by Local Government NSW in its submission to this Committee where it said that the Government should be commended because, unlike its counterparts in other States, the New South Wales Government has taken local government along as a partner on the reform program.

Firstly to Destination 2036, you may recall from our briefing, I think it was about a month ago, Destination 2036 was a summit held in Dubbo back in 2011 and it was attended by representatives of each of the councils of New South Wales as well as State government agencies and the peak industry groups. The purpose of Destination 2036 was to consider how communities, economies and technologies might change over the next 25 years and to consider what councils needed to do to position themselves to respond to those changes. A comprehensive action plan and a vision statement were released as result of the two days of work at Destination 2036.

The next step was the appointment of the Independent Local Government Review Panel. Shortly after Destination 2036 the peak industry groups jointly wrote to the then Minister for Local Government requesting the appointment of an independent panel to consider and review local government in New South Wales and in April 2012 Professor Graham Sansom, Ms Jude Munro and Mr Glenn Inglis were appointed by the Government to conduct a comprehensive review into local government. The panel was tasked with formulating models, structures and boundary changes to improve the strength and effectiveness of local government and to help drive the key strategic directions of Destination 2036 and the New South Wales Government's State Plan.

The panel's review was carried out in stages and there was a very deliberate consultative approach taken, with a total of 55 sessions held and over 3,000 people attending those sessions. Over 2,000 submissions were received in response to the panel's work and to the panel's consultation. That work was done in parallel with some other key elements of the reform, including the Local Government Act's Taskforce, which reviewed the legislation that governs local government in this State, also TCorp's report on the financial sustainability of councils and the infrastructure audit conducted on behalf of the Office of Local Government. The TCorp report showed that a third of councils in New South Wales were in a weak or very weak financial position and the infrastructure audit identified a \$5.6 billion infrastructure backlog in New South Wales councils across the State. In its final report released in October 2013 the panel said:

We are of one mind in concluding that wide-ranging and concerted action is essential to make NSW local government sustainable and fit-for-purpose into the mid-21st Century.

The panel released 65 recommendations which were largely accepted by the State Government and of those 65 recommendations it is very important to note that only a handful related to structure. Those recommendations covered the whole range of council operations, from asset management, financial management, governance, leadership, the relationship between councils and State Government and so on. On the question of structural reform the panel said that New South Wales cannot sustain 152 councils and that councils needed increased scale and increased strategic capacity. It said that the evidence shows that for some local government functions such as the delivery of infrastructure and back-office services, greater scale can produce efficiencies.

Mr DAVID SHOEBRIDGE: Mr Chair, I am sorry but we have limited time. This is a repeat of exactly what is in the written submission. I have actually read word for word large chunks of what we are hearing now.

CHAIR: I take that on board. Could you make some concluding statements?

Ms DOHENY: I will. The independent panel produced its recommendations and that led to the current Fit for the Future process, which the Committee will be aware was a process under which councils were requested to make submissions to the Government based on key criteria and in the context of the proposals made by the independent panel on structural reform. That is the stage that has now been reached. The councils put forward their submissions and four proposals to merge covering nine councils were received. The rest of the councils' submissions proposed they stand alone.

In conclusion, the current reform program consists of four years of research, consultation and work undertaken by the State Government and also by councils themselves and the whole of the local government sector. The panel made it very clear that no change is not an option; that systematic reform to the whole system of local government is required if councils are to be able to meet the challenges that their communities face now and into the future. The panel also made very clear that focusing simply on structures or finances or some other element of the system is not going to work. Systematic reform is what is required. Councils need to continue to do their work to become stronger and the State Government will continue its work to reform the various elements of the system. A lot of work has already been done by councils in their submissions to the Independent Pricing and Regulatory Tribunal and a lot of work has also been done by the State Government and that work will continue in the next few years. Thank you.

CHAIR: I will open with a question and then we will go to the Opposition. Are you familiar with Professor Graham Sansom's submission?

Mr ORR: Yes.

CHAIR: I note in the first couple of dot points, dot point No. 2 particularly, it states:

The Government's "Fit for the Future" (FFTF) agenda adopts to varying degrees many of the measures proposed in the ILGRP [Independent Local Government Review Panel] report ... However—

There are some significant departures. What are the departures? Why were they made?

Ms DOHENY: I am unable to answer that question. Mr Orr might be able to assist.

CHAIR: Mr Orr?

Mr ORR: Thank you, Chair. I think, as Ms Doheny was saying before, by and large the Government adopted all of the recommendations from the independent panel. In fact, if you go through and look specifically at the government response, which is available on the website, there are only seven of the recommendations which were not supported by the Government. The remaining 30 were fully supported and 28 were supported in principle or partially supported.

Mr DAVID SHOEBRIDGE: But the issue that the Chair asked about was the critique that Professor Sansom, who headed your panel, has of your partial implementation, particularly about the amalgamation process. What is your response to that? It was a very specific question. You dodged it, with all due respect.

Mr ORR: In answer to your question, in terms of the process, what the panel proposed was that councils be given the opportunity to put forward evidence-based responses to the panel's recommendations. That is exactly what the Government has done. The Government has put forward the Fit for the Future process, in effect asking councils through a very considered process to consider the recommendations of the panel and come back by 30 June this year with what they propose to do in terms of Fit for the Future. The pleasing thing is that every council in New South Wales, with the exception of the eight in the Far West, has actually done that. They have gone through a process. They have considered the recommendations of the independent panel and they have come back to government with their proposals based on their consideration, their evidence.

CHAIR: Mr Orr, thank you for that, but my question was not about that. It was: Why was there a departure from the suggestions?

Mr ORR: I think it would be useful to understand specifically what Mr Sansom is referring to in terms of the departure. Is there some more information in terms of what specifically?

CHAIR: It is in regards to the Independent Local Government Review Panel's recommendations.

Ms DOHENY: Perhaps I could assist?

CHAIR: Yes.

Ms DOHENY: There were a small number of recommendations from the panel which were not accepted by the Government.

CHAIR: I am just asking why.

Ms DOHENY: It might be most useful for me to take it on notice and come back to the Committee with details.

CHAIR: Take that on notice. We have got a lot to get through.

Ms DOHENY: I think there were three or four recommendations that were not accepted, so I could come back to the Committee with those recommendations.

Mr DAVID SHOEBRIDGE: But what are the core recommendations about amalgamations? You must know what Professor Sansom said on page three of his submission. He said that what you are doing on amalgamations is wrong, wrong in process:

- The State government's currently unfettered right to impose amalgamations and major boundary changes more or less at will should be limited
- Any amalgamation or major boundary change should be preceded by careful analysis of the issues ...
- There should be full community consultation—essentially the current provisions but with much better, impartial explanation of the proposals ...
- The process should be handled by an expert, independent body—

Not the Independent Pricing and Regulatory Tribunal [IPART]—

- The Government should not be able to over-rule the findings and recommendation of that body without good cause.

I have read you word for word what Professor Sansom says. What do you say in response to the person who chaired your own committee?

Ms DOHENY: I will just maintain my answer, Mr Chair.

CHAIR: You will take it on notice and get back.

Ms DOHENY: Thank you.

Mr DAVID SHOEBRIDGE: You do not know.

The Hon. PETER PRIMROSE: So much for four years of planning.

Mr DAVID SHOEBRIDGE: Four years of planning, no answers.

The Hon. PETER PRIMROSE: In addition to the taking that on notice, can you please take each of Professor Sansom's recommendations and give us an outline of whether they were supported or not—I know that most were—but equally how you are implementing them or not implementing them? If that could come back to us on notice, that would be valuable. Given that there have been four years of planning, as you say, you would be well aware of the process that will happen after IPART reports for each individual council. Can you run us through that process of what will happen after IPART reports?

Ms DOHENY: IPART will report to the Government at the end of October and then the Government will receive that advice and make decisions about the next steps.

The Hon. PETER PRIMROSE: Given that there have been four years of planning and councils have spent multiple millions of dollars in relation to doing these reports, in terms of staff time, is there a process that you have as a department as to what happens to those recommendations?

Ms DOHENY: When the Government makes a decision, my department will be implementing those decisions.

The Hon. PETER PRIMROSE: Let us take an individual council. They have prepared this material. You cannot say if a council is found to be unfit by IPART what will actually happen next.

Ms DOHENY: I cannot say that because the Government needs to make those decisions, and then I will be implementing through my office those decisions.

The Hon. PETER PRIMROSE: But let us say IPART says that it is unfit. I am just trying to get this clear. I am not trying to badger you. I am not talking about you deciding whether you accept IPART's recommendation or not. What actually will be the process? For example, do you expect that the provisions of the Local Government Act will be applied?

Ms DOHENY: Mr Primrose, I cannot answer that question because it really depends on the Government making decisions.

The Hon. PETER PRIMROSE: So the Government has not conveyed to the department the process that it expects to take place afterwards? You do not know the process that will take place afterwards? Let us say that X council—I will pick one: Holroyd—for reasons I could not even begin to understand IPART says it was unfit. It is not unreasonable, given the amount of work that has happened, that they would say to you, "Okay. What happens next?" You cannot tell us what that would be.

Ms DOHENY: I cannot tell you that.

Mr DAVID SHOEBRIDGE: You have not had any discussions with the Government about whether you are going to use the current statutory process or not.

The Hon. BEN FRANKLIN: Mr Chairman, surely this is the time for the Opposition and not for The Greens.

CHAIR: Order! I will set some ground rules. If the Opposition, crossbench or Government is willing for another member to cross-examine on a particular point, normally there is a courtesy given fairly quickly that they are happy with that because it comes from that party's time.

Mr DAVID SHOEBRIDGE: Yes.

CHAIR: I make that very clear. Mr Primrose?

The Hon. PETER PRIMROSE: I would ask that maybe you could respond, given that Mr Shoebridge has raised that matter.

Ms DOHENY: I am sorry, could you repeat the question?

Mr DAVID SHOEBRIDGE: There are currently two statutory ways under the Act that the Government can move towards amalgamations in the absence of support from a local council. Has the Government discussed with you using those options?

Ms DOHENY: No.

Mr DAVID SHOEBRIDGE: Has the Government discussed a legislative amendment to try to get some different options?

Ms DOHENY: Mr Chair, the subject of Government discussions is also the subject of Cabinet confidence and I cannot answer that question any further.

Mr DAVID SHOEBRIDGE: Is your department coming up with an alternative process and giving that advice to the Government? Are you going down that path?

Ms DOHENY: Mr Chair, I cannot answer that further.

The Hon. PETER PRIMROSE: Okay. Can I then ask you: Is the government—and I use the term in the broad sense, small "g" government—considering delaying or deferring local government elections as a consequence of this process?

Ms DOHENY: Mr Chair, again, these are straying into areas of Cabinet confidentiality and I cannot answer the questions.

CHAIR: I appreciate that comment on that matter. I think that is a fair comment, given that there is a date set for local government elections. Anything else would be a hypothetical matter on the extension of that date. Would you continue maybe with a different line?

The Hon. PETER PRIMROSE: Has any consideration been given to changing the date of the local council elections?

Ms DOHENY: Again, Mr Chair, I cannot answer that question.

The Hon. PETER PRIMROSE: So "Yes", "Maybe", "Don't know". When did the Office of Local Government ask IPART to perform the role of the expert assessment panel for the Fit for the Future program?

Ms DOHENY: Mr Orr will correct me if this is incorrect, but it was a date in April 2015, this year.

The Hon. PETER PRIMROSE: How much notice did the Office of Local Government give IPART to produce the consultation paper that was released on 27 April?

Ms DOHENY: Mr Orr might be able to help with that. He was working on that element of the reform.

Mr ORR: Yes. If I can provide some further information to the Committee, in terms of the broad question about how Fit for the Future applications were going to be assessed, there are really two issues involved. The first issue was what are the terms of reference? How is the process actually going to work?

The Hon. PETER PRIMROSE: How much notice did you give?

Mr ORR: In particular, the way in which the matters and all the Fit for the Future applications were going to be considered. We worked very closely with the ministerial advisory group comprising the United Services Union, Local Government NSW, and the Local Government Professionals association to define the terms of reference. We worked with them to define the terms of reference. Equally, in terms of specific dates, perhaps we can come back to the Committee about how it all happened.

The Hon. PETER PRIMROSE: Okay.

Mr ORR: But, in effect, discussions were held with IPART about IPART playing a particular role.

The Hon. PETER PRIMROSE: No. I specifically asked that. I am happy if you do not know to take that on notice, please.

Mr ORR: Sure.

The Hon. PETER PRIMROSE: Thank you. Will you confirm that there will not any forced amalgamations?

Ms DOHENY: I cannot answer that question. I cannot confirm that.

The Hon. PETER PRIMROSE: Who can?

Ms DOHENY: When the Government makes decisions, the Government will be able to provide advice on those decisions.

The Hon. PETER PRIMROSE: You are confirming that the Government has not decided that there will not be forced amalgamations?

Ms DOHENY: Mr Chair, these questions go to issues of Cabinet confidentiality, which I cannot answer.

CHAIR: Continue, Mr Primrose.

The Hon. PETER PRIMROSE: Very interesting; so much for being open. Can you say then, are you aware whether the Government intends to implement any recommended amalgamations regardless of community sentiment? What role will community sentiment play?

Ms DOHENY: I cannot answer that question because the Government—

Mr DAVID SHOEBRIDGE: What role should it play? You are the head of the Office of Local Government. What role should community sentiment play in consideration of amalgamations?

Ms DOHENY: I can say that the community has very much been involved throughout the course of the four years of this reform program. I refer to the 2,000 submissions that have been received in response to the report of the Independent Local Government Review Panel.

Mr DAVID SHOEBRIDGE: And they overwhelmingly rejected amalgamations. You know that.

Ms DOHENY: The program has been characterised by community consultation and consultation with the sector and that has been, as I mentioned, identified by Local Government NSW.

The Hon. PETER PRIMROSE: Let us go back to the process. I appreciate and I apologise if I seem to be badgering you, but these are legitimate questions. We cannot get the Minister to answer them. You are the people here. That is why we are asking you. Maybe this is something that we should be asking the Minister and requesting that he comes. Does the Government have target numbers of councils that it is aiming for in the Sydney metropolitan area?

Ms DOHENY: The Government does not have target numbers of councils that I am aware of that it is aiming for in the metropolitan area.

The Hon. PETER PRIMROSE: What about across New South Wales as a whole?

Ms DOHENY: The same position across New South Wales.

The Hon. PETER PRIMROSE: Does the Government have target numbers for populations of council areas in the Sydney metropolitan area?

Ms DOHENY: The Government does not have target numbers for population across the metropolitan area that I am aware of.

The Hon. PETER PRIMROSE: Where is the Government up to in implementing the 11 recommendations which relate to the funding model for local government that was in the independent panel's report?

Ms DOHENY: The work has been done in implementing those elements of the reforms. That includes a review into the ratings system, which will be conducted. An innovation fund has been established to assist small rural councils to improve their operations. The Office of Local Government is currently working with the New South Wales Grants Commission to explore opportunities for redirecting grants funds to the areas of greatest need. There is also work being done in conjunction with the Treasury Corporation to establish a funding facility which will make available lower cost loans for council and social community infrastructure. They are the main areas of work that is being done to focus on financial elements of council operations.

The Hon. PETER PRIMROSE: Again, you may not be able to answer this because it is to do with process. Will the Government allow individual councils to stand alone as a local voice if they combine with

neighbouring councils in a joint organisation model to achieve savings, scale and capacity, as proposed by Ryde, Lane Cove and Hunters Hill?

Ms DOHENY: The panel, when it referred to structural change, did recommend joint organisations but its recommendations related to trialling joint organisations in rural and regional areas first because it pointed out that within the metropolitan area the structural change in the metropolitan area needed to come first before joint organisations were considered.

The Hon. ERNEST WONG: I just have one question. If all those financial situations or options are being reviewed and all the other councils who now want to choose to stand alone are able to prove economic sustainability, do you still think that amalgamation and bigger councils will serve the purpose that you are now focusing on—scale and capacity?

Ms DOHENY: The idea of bigger councils was not a core element of the panel's report. The panel was really talking about increasing strategic capacity for councils. It did acknowledge that large councils can bring about increased scale and that can bring about efficiencies, but its focus was not on that element of large councils. It was really saying that for councils to deliver optimally for the communities they need to have strategic capacity and that includes elements such as the capacity to attract skilled staff to deliver large projects to partner with State and Federal governments. That was the focus of the panel's work when it was talking about scale and capacity.

The Hon. ERNEST WONG: So you are saying that there will not be any forced amalgamation. Is that your statement?

Ms DOHENY: I am not in a position to answer that.

The Hon. PETER PRIMROSE: I go back to my question: Do you regard the model that is proposed for Ryde, Lane Cove and Hunters Hill is a good one that could be used by other metropolitan councils?

Ms DOHENY: My opinion as to whether it is good or not is not something that is relevant for this Committee.

The Hon. PETER PRIMROSE: Given your position, I wish to dispute that. You are here in your professional role so I am asking you: Is that good or bad as a model?

Ms DOHENY: I can only restate the panel's position on joint organisations in metropolitan Sydney, which is that they should be considered after the key issues of structural reform have been considered. The panel was really focusing on joint organisations for the rural and regional areas.

The Hon. PETER PRIMROSE: That is "yes", "no" or "maybe". Will the Government be considering unsolicited amalgamation proposals, such as where one council has proposed an amalgamation but adjoining councils have rejected the proposed council?

Ms DOHENY: Councils were invited to put forward their submissions to IPART and there was nothing stopping councils from putting forward submissions for various options. They were just asked to look at the recommendations of the independent panel as a starting position, so if councils want to put forward different proposals they are welcome to do that. The step after that is for IPART to consider those submissions and provide advice to the Government.

The Hon. PETER PRIMROSE: If the Government moves to forced amalgamations, will the financial incentives that have been indicated for voluntary mergers under Fit for the Future still be available?

Ms DOHENY: I think \$258 million was made available for voluntary mergers and the Government has not made decisions about what financial incentives or support might be available for other mergers.

The Hon. ROBERT BORSAK: Following on from your answer when you said there might be more financial incentives available, the Government is headlining the fact that it will contribute \$1 billion to local government, \$600 million in notional savings through reduced interest payments. I suppose councils would only get that if they merge and take advantage of the cheap loan facility that is supposedly available. Government will also contribute \$250 million in incentives for mergers, which you have mentioned, plus \$13 million in

benefits for transitioning to a merged council—that is interesting—and \$5.3 million for joint operations [JOs]. Is it then the case that only \$4 million of the \$1 billion being put into local government is actual money unconnected to a merger? Why is so little money being put into funding actual local government work? Under each of those headings there is a lot of talk about large numbers, but actual cash seems to be very short.

Ms DOHENY: Those numbers related to the Fit for the Future process, so they were directed to supporting the voluntary mergers. Mr Orr might want to add to that.

Mr ORR: Certainly, one of the issues that was established was the need for incentives. So for councils to assist with the costs of mergers—which can be quite significant, as I am sure the Committee appreciates—the Government put money on the table to assist with merger costs. As you point out, a significant amount of money was put forward for that—\$258 million—which worked based on in Sydney, if councils were to merge the size of the merging councils, and in rural and regional New South Wales, the numbers of councils actually coming together. A significant amount of money was put forward to assist councils that wish to merge with the direct costs associated with merging.

The Hon. ROBERT BORSAK: That aside, there is supposedly \$1 billion, which I find a little hard to understand. Cuts to financial assistance grants by the Federal Government are expected to cost New South Wales local government around \$287.7 million over the next four years. How is Fit for the Future addressing this huge loss of funding, which primarily hits local infrastructure in regional areas, or does it not?

Ms DOHENY: The Federal Government's decisions on those grants are beyond the power of the State Government to influence. What the Government can influence through the New South Wales Grants Commission are grants that are made for infrastructure to councils right across the State. I mentioned work that is happening at the moment to explore opportunities for redirecting. One of the recommendations from the independent panel was to look at areas which currently receive some of those grants that may not necessarily need them. That work is happening at the moment to explore how those financial assistance grants can be redirected to the areas of most need and, perhaps, redirected away from the areas that really do not need the money. That is what is within the control of this Government.

The Hon. ROBERT BORSAK: None of that has been mentioned in the Fit for the Future \$1 billion package—in other words, we have to take money from here and put it there to make up for shortcomings. Is this part of what amalgamation is really about?

Ms DOHENY: No. As I mentioned, the funding you went through was around voluntary mergers. It was a funding package to support voluntary mergers, not directing itself to any other element of council operations.

The Hon. ROBERT BORSAK: Focusing on mergers and the removal of rate capping, the Independent Local Government Review Panel recommended relaxing the rate cap for amalgamated councils. The Government claims that amalgamated councils would be more cost efficient. How then does providing amalgamated councils the ability to increase rates above non-amalgamated councils support the Government's claims?

Ms DOHENY: The independent panel made a whole range of comments in relation to councils' financial operations. It may be an important point that councils need to make better use of their revenue base. The panel made a series of recommendations to strengthen councils' capacity to use the revenue base they have. The panel made recommendations about councils' capacity to seek special rate variations, and work is currently being undertaken to look at how the special rate variation process that councils need to go through to seek rates above the rate cap can be streamlined and made easier for councils. I should note that of all the councils that sought special rate variations, all did receive variations.

Mr DAVID SHOEBRIDGE: You did not answer Mr Borsak's question.

The Hon. ROBERT BORSAK: I do not think you answered the question.

Mr DAVID SHOEBRIDGE: He asked, if you think bigger councils are going to be better and more efficient, why are you only letting bigger amalgamated councils the opportunity to get rid of rate capping? That is a pretty simple question and you did not answer it, with all due respect.

Ms DOHENY: That was a recommendation from the independent panel, but it is not a decision that the Government has made.

Mr DAVID SHOEBRIDGE: So you do not support it?

Ms DOHENY: It is not a decision the Government has made.

Mr DAVID SHOEBRIDGE: Do you support it? A nonplussed look is not an answer. Do you support it?

Ms DOHENY: Whether I support it or not, I am a public servant and I am here to—

The Hon. NATASHA MACLAREN-JONES: Point of order.

CHAIR: On the point of order: The witness has answered and, as noted earlier, we are not here to badger witnesses.

The Hon. ROBERT BORSAK: The question really is: Why are amalgamated councils going to need more money when they are supposedly fit for the future? We are being set up for forced amalgamations and increased rates. Is that what we are being set up for?

Mr DAVID SHOEBRIDGE: You could say "No", if that is the answer.

CHAIR: The Hon. Robert Borsak sees financial sustainability as a big part of the Fit for the Future agenda. If you cut the financial assistance grants [FAGs] and put together council A that has done well financially with council B that has done badly with its services, which results in rates going up and the FAG grants going down, would it not be unfair that future ratepayers carry the burden for increased services or asset maintenance because council A has done a good job on asset maintenance whereas council B has not and so finances have been eroded? Would it not be better not to merge?

Ms DOHENY: I think, in the end, councils are accountable to their communities for how they deliver services. They raise the rates they need to deliver the services they have agreed with their communities will be delivered.

CHAIR: I beg to differ. The reason we are holding this inquiry is the fact we are not going back to the community. We look to the Government, and the Government is looking to merge councils.

The Hon. ROBERT BORSAK: Not only that, we are going to have local government that will not be representative. Local government will not represent local people anymore. I would really like an answer to my original question.

Mr ORR: I can provide some further comments.

Mr DAVID SHOEBRIDGE: No, an answer.

Mr ORR: The Fit for the Future process is not just about amalgamating councils, as has been put forward. We are asking councils to go through a process themselves to become fit for the future. We have asked them to consider their scale and capacity. We have asked them to consider a whole range of ratios in terms of how they are going to improve their services. The Government has said that having done that you are a "Fit for the Future" council, you will be able to access a series of benefits, one of which is the funding facility, one of which is a streamlined process for special rate variation—not removing rate capping but a streamlined and simplified process. One of the issues councils have raised is asking for a more streamlined process. The Government is considering that.

The Hon. PETER PRIMROSE: You said previously that you did not know.

CHAIR: Order! Let the witness answer.

The Hon. PETER PRIMROSE: That is directly contradictory.

CHAIR: If the witness chooses to answer the question, let it be so. I note that we are coming into Mr Shoebridge's time and he is keen to ask questions, so please finalise your answer.

Mr ORR: Sure. I point to the Government's response to the independent panel's work which outlines the Government's position in relation to this matter.

Mr DAVID SHOEBRIDGE: Mr Borsak's question was pretty simple: If you think bigger amalgamated councils are more efficient, why are you only allowing those bigger, so-called more efficient councils to have an easier path to increasing rates? It does not make sense. Please explain that.

Ms DOHENY: Work is currently being done to streamline special rate variations. Mr Orr might correct me if I am wrong, but I do not think a decision has been made that the streamlined rate variation process will only be available to some councils.

Mr DAVID SHOEBRIDGE: This was the Government's response in November 2014, with all due respect. I know that was before you came on board, so maybe Mr Orr can answer if you do not know. Do you know what I am talking about, Mr Orr?

Mr ORR: Yes, I know what you are talking about. What the Government has said is that in relation to Fit for the Future councils, those councils that go through the process, based on the proposals to IPART—and IPART considers those—there is a consideration of a streamlined rate variation process. The Government has not said it will remove rate capping for those councils.

Mr DAVID SHOEBRIDGE: Why are you streamlining it and allowing the big councils that are meant to be more efficient, in your eyes, to be the only ones that have easier access to increase rates? It does not make sense. Can you answer a simple question, Mr Orr?

Mr ORR: I think I have answered the question. Those councils would have greater capacity and are fit for the future, as determined by IPART and by the Government. There are a range of benefits available to those councils, one of which is what I have outlined.

Mr DAVID SHOEBRIDGE: How about we test you on a simple knowledge of New South Wales rates and councils. What is the average rate in New South Wales per capita?

Ms DOHENY: I can get that information. I know that—

Mr DAVID SHOEBRIDGE: I will give you some help. If I told you it was \$499 per capita, does that seem about right? Mr Orr is nodding, which is not audible, so I take that as yes. You are the head of the Office of Local Government, so you should know this. What is the average rate in New South Wales per capita?

Ms DOHENY: Mr Shoebridge, I do not have that information but I could easily provide the information to the Committee.

Mr DAVID SHOEBRIDGE: Assume that I have it because I have actually read the submission from the peak body, Local Government NSW, where it is contained in about four separate spots. Have you read that submission?

Ms DOHENY: I have, yes.

Mr DAVID SHOEBRIDGE: It is \$499 per capita. What is the average rate in Victoria, where they have gone through the amalgamation process?

Ms DOHENY: I do not know the answer to that.

Mr DAVID SHOEBRIDGE: Have you read the Local Government NSW submission?

Ms DOHENY: I did read the submission.

Mr DAVID SHOEBRIDGE: It is in about four separate spots. Do you want me to help you?

Ms DOHENY: Thank you, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: The average rate in Victoria is \$692 per capita. Do you not think that residents of New South Wales should be deeply worried that the best evidence we have of the most comparable State, which is Victoria, is that forced amalgamations and bigger councils lead to rates that are about 40 per cent higher than we have in New South Wales?

Ms DOHENY: Local government reform has been happening right across Australia and right across other OECD countries, in particular, New Zealand and the United Kingdom. Sometimes it produces different higher rates and sometimes it produces lower rates.

Mr DAVID SHOEBRIDGE: Where has it produced lower rates? Name one jurisdiction. You have told me sometimes it produces lower rates, name one jurisdiction.

Ms DOHENY: I can provide information to the Committee.

Mr DAVID SHOEBRIDGE: No, you have told me sometimes it produces lower rates, tell me where—any jurisdiction—Kiribati, Fiji, Spain, France. Tell me one place on the globe where it has produced lower rates.

Ms DOHENY: I will withdraw that answer, Mr Chair.

The Hon. ROBERT BORSAK: Kenya.

Mr DAVID SHOEBRIDGE: You would agree with me that the best evidence is that everywhere we have had these amalgamations rates have gone up—Victoria, Queensland, New Zealand? Do you agree with that?

Ms DOHENY: I cannot agree with that because I don't know.

Mr DAVID SHOEBRIDGE: But you are the head of the Office of Local Government.

The Hon. PETER PRIMROSE: This is the end of a four-year process.

Mr DAVID SHOEBRIDGE: It is your job to know.

CHAIR: Unless there is a point of order. I cannot rule on it.

The Hon. BEN FRANKLIN: I make the point of order that the Mr David Shoebridge is badgering the witness.

CHAIR: I think the last question needs some examination and some study. I encourage you to pursue a different course.

Mr DAVID SHOEBRIDGE: We will get the Kiribati list on notice, is that right?

Ms DOHENY: No, I withdrew my answer to that question.

Mr DAVID SHOEBRIDGE: Will you provide on notice any jurisdiction on the planet where amalgamations have produced lower rates?

Ms DOHENY: I can take on notice a question and provide more information to the Committee about what has resulted from amalgamations.

Mr DAVID SHOEBRIDGE: Perhaps if you answer the question on notice it will be more useful.

The Hon. NATASHA MACLAREN-JONES: Earlier in your opening statement you talked about Destination 2036. What were some of the challenges that councils raised in 2011?

Ms DOHENY: Some of the challenges included infrastructure backlogs that they were struggling with, attracting skilled staff and the general financial management of their councils. There were also challenges relating to governance so a lack of clarity between the roles of general managers and elected representatives including the mayor.

The Hon. NATASHA MACLAREN-JONES: You said also that councils requested that a panel be formed. Did you say that was in writing?

Ms DOHENY: Yes, a letter was received from local government—the two peak entities—Local Government NSW and the Shires Association. On 7 February 2012 they wrote to the then Minister for Local Government and requested a comprehensive review of local government in this State.

The Hon. NATASHA MACLAREN-JONES: Will you provide the Committee with a copy of that letter?

Ms DOHENY: I will, yes.

The Hon. LOU AMATO: Before I ask a question, I declare for the public record that I am a serving councillor on Wollondilly Council. I have sought advice from the Clerks on whether that represents a direct pecuniary interest under Standing Order 210. I have been advised that as the inquiry is on a matter of State policy there is no conflict of interest. What did TCorp say about councils' financial sustainability and how has it changed since that review?

Ms DOHENY: The TCorp review showed that one-third of councils were in a weak or very weak financial position. If I can just take the Committee through the figures—111 councils reported deficits for 2013-14 compared with 98 councils for 2012-13. So the deficits became worse between 2013 and 2014. The operating performance ratio State average has deteriorated from minus 5 per cent in 2012-13 to minus 8.76 per cent in 2013-14, and all parts of the State reported deterioration in this ratio. In 2013-14 deficit amounts for individual councils ranged from \$328,000 to \$26 million and the total amount of deficits totalled \$534.4 million, and 60 per cent of those councils reported a deficit reported amounts of greater than \$2.5 million. The gap between operating revenue and expenditure translated into a net operating deficit of \$359.4 million for the sector and this is an increase of \$106.3 million from the previous year's net operating deficit which was \$253.1 million.

The Hon. BEN FRANKLIN: I refer to the Fit for the Future process about which there have been a lot of allegations, unsubstantiated and otherwise, thrown around in discussions. Will you take the Committee through that process and tell us how the Fit for the Future criteria was developed in the first place?

Ms DOHENY: I might pass to Mr Orr because he was working with the Office of Local Government and worked closely on the development of those criteria.

Mr ORR: The Fit for the Future process—the biggest ever local government reform program—and the way in which the program was developed, was launched in September last year by the Premier and the Minister for Local Government. A key part of it was asking councils to have a look at their own circumstances and come forward with a Fit for the Future proposal by 30 June this year. The Office of Local Government put in place an array of support measures, most notably putting forward a number of templates to assist councils go through and consider their circumstances in terms of what they were going to do to become fit for the future. One of those templates was about those councils that wished to merge, another one was about an improvement proposal and the third was about the rural council model.

Within those templates there were a number of criteria. The first thing which we asked councils to do was to have a look at the recommendations of the independent panel in terms of what the panel was recommending in relation to the future of that particular council. Having done that, we then said to councils that they need to consider a range of other criteria in relation to their operating performance ratio and how that was going to improve over time, their own source revenue, building and infrastructure and asset renewal ratio, the infrastructure backlog ratio, their asset maintenance ratio, their debt service ratio and their overall efficiency. The first thing we asked councils was to consider their circumstances in the light of the independent panel recommendations, and having done that then choose which template they were going to actually use.

The office provided significant support so we went out there and spent a lot of time with councils explaining what the program was all about. We put in place a lot of other support arrangements, for example, for

those councils that were looking at a merger proposal we had facilitators working with them. We provided funding to assist those councils that wanted to look at the business case for mergers and the like and that support was out there and explained to councils. We worked through that, all that information was made available and, importantly, when we put those templates and guidance material together we worked with the Minister's Advisory Group in relation to Fit for the Future. That advisory group was made up the United Services Union, Local Government NSW, and Local Government Professionals and they were consulted every step of the way when it came to all those particular support measures and packages.

Mr DAVID SHOEBRIDGE: And they rejected the criteria.

Mr ORR: A lot of support measures and assistance was made available. Councils then had the task of working on their Fit for the Future proposals. Certainly councils have come back and they have made a lot of comments about how useful it has been to work through and to have a deep look in terms of what is their performance, where they are going, what is their future direction and ultimately they submitted their Fit for the Future proposal. If I can say that every council in the State put forward a Fit for the Future proposal and that demonstrates clearly their commitment to looking at their own performance and where they are going.

The Hon. BEN FRANKLIN: The overriding requirement for consideration was clearly scale and capacity which was referred to by the Chief Executive and my honourable colleague earlier. In your view why was that the issue that needed to be considered first and foremost?

Ms DOHENY: The issue of scale and capacity, as I mentioned, came from the panel's discussion in its report on the requirement for strategic capacity. They referred to scale in the context of the efficiencies that can be derived from larger councils and economies of scale. But as I mentioned that was not the focus of the work of the independent panel. What they did focus on was the need for councils to have strategic capacity and they considered that currently councils do not have sufficient strategic capacity. When they were referring to strategic capacity they were talking about things such as the capacity: to plan well for their infrastructure and their services, to attract skilled staff and skilled councillors, to deliver major projects successfully and to manage their finances well.

So in this whole range of elements, including importantly the capacity to partner with State Government and the Federal Government, there were 10 features of a council with strategic capacity. They were the elements that the independent panel really focussed on and stressed to say that the sector overall needed to increase their strategic capacity and the lack of that strategic capacity was why it was not doing as well as it needed to do in many areas.

The Hon. BEN FRANKLIN: Professor Sanson has made it clear that in his view financial sustainability was not linked with strategic capacity but clearly financial sustainability has got to be one of the primary considerations, otherwise the whole system will come to a grinding halt. In your view how will the Fit for the Future package address, in my view, one of the most critical issues facing local government?

Ms DOHENY: The issue of financial sustainability was addressed by the panel in a number of ways. It said that councils need to become better at managing their finances. The panel made the point that to continue to increase grants to unsustainable councils was not in the best interests of those councils and was not in the best interests of the State. It made a whole series of recommendations directed to increasing the financial capacity of councils. They included—and I have gone through some of these previously—the creation of the financial facility to enable lower interest loans to be made available to councils so that they can deliver their community infrastructure and also looking at the special rate variation process to make it easier for councils to apply for special rate variations. The Independent Pricing and Regulatory Tribunal will be conducting a comprehensive review of the rating system to identify any areas of improvement in that rating system.

I have referred to the financial assistance grants that are administered to all councils across the State and the work that is being done now to explore areas where those grants can be redirected to the councils of most need. There were also recommendations such as the appointment of a chief financial officer to each council and that was really going towards developing the capacity to do better financial planning and to manage their finances better. They are some of the areas of improvement directed to increasing councils' financial capacity.

The Hon. BEN FRANKLIN: My colleague, the Mr David Shoebridge, referred to other jurisdictions. Did the Office of Local Government talk to other States about their experience regarding local government reform? If so, what were the outcomes of those discussions?

Ms DOHENY: Mr Orr might answer that in terms of the conversations about the reform program, but we have spoken to other councils that have actually amalgamated and have become bigger. I can provide some information about the outcomes of those amalgamations if that is useful.

The Hon. BEN FRANKLIN: That would help.

Ms DOHENY: One of the recent amalgamations in this State was Tamworth Regional Council which talked about the fact that as it became larger it was able to better invest in community infrastructure, for example, spending \$27 million to secure a water quality supply system for its smaller communities. Those communities would not have been able to fund that infrastructure if they had continued to be small councils. So that was one example in Tamworth of large infrastructure that was needed by those communities that was enabled through a larger council structure.

Another example is the city of Sturt in South Australia, which was able to embark on a \$71 million urban water management project for its communities following its merger in 1997. Again, that council said that its increased size enabled it to deliver catchment-wide solutions that could previously not have been achieved. I have one last example, which is the city of Auckland. It advised us that since its consolidation in 2010—it includes housing—it was able to successfully deliver 10,000 homes per year—sorry, not provision of housing but through its planning system—through the development of a city-wide housing accord.

That was a better relationship between State government and local government that has enabled the increase of 10,000 homes per year. The council said that this newly merged council has also had capacity to undertake a \$116 million water supply upgrade and embark on a comprehensive asset renewal program. They are three examples that we have been advised of of councils following amalgamation where their increased capacity has enabled them to deliver infrastructure and deliver better planning outcomes through their greater scale.

Mr DAVID SHOEBRIDGE: Of course the councils will say that. They will justify themselves. Did you speak to the residents?

CHAIR: Order! The time has expired.

Mr DAVID SHOEBRIDGE: It is an obvious question. Of course the councils will justify themselves. Did she speak to the residents?

CHAIR: If there is a question it is in Government time and the Government's time has expired. To be fair, it is 10 o'clock and I want to stay to time. Thank you for your presentation today. As you can see, it is a deeply concerning issue for many in the community and one that needs to be addressed for the good of New South Wales in terms of its outcomes. So it is an important inquiry. You have taken some questions on notice and you have 21 days to reply to those. The secretariat will be glad to help you with that. With regard to your particular presentation, you will probably be given an opportunity at the end of the inquiry to come back and make further representations based on our inquiry's findings if you accept our invitation.

(The witnesses withdrew)

DONNA THERESE RYGATE, Chief Executive, Local Government NSW, and

KEITH DAVID RHOADES, President, Local Government NSW, sworn and examined, and

SHAUN CHRISTOPHER McBRIDE, Senior Strategy Manager, Local Government NSW, affirmed and examined:

CHAIR: Would anyone like to make an opening statement?

Cr RHOADES: Firstly, I would like to start Local Government NSW's appearance before you today with a brief statement of support for sector reform. As you would be aware from our submission, Local Government NSW supports Fit for the Future as a council improvement program. Like the State Government, we believe the people of New South Wales deserve a strong, financially secure local government sector. We commend the Minister and the Office of Local Government for working to ensure that local government is a partner on this journey to achieving the best possible outcomes for the residents and ratepayers of this State. That was something that our colleagues in Victoria and Queensland did not have the opportunity to do. We all agree on the destination. Where we may well differ from the Government is on how we actually get there.

Let me make this clear: Local Government NSW supports continuous improvement in strategic service delivery and best practice financial and asset management. We support voluntary evidence-based structural reform, but we do not support the forced amalgamation of councils. We do not support any attempt to erode or override grassroots democracy. And we do not believe any real or lasting improvement can be delivered to the people of New South Wales if we do not fix the funding first. Local Government NSW has consistently argued that existing policy and legislative settings are forcing many New South Wales councils into perilous financial waters over the long term. The problem has nothing to do with the size of the council.

Just two years ago the TCorp review confirmed Local Government NSW's position, identifying an infrastructure renewal backlog of some \$7.2 billion, an asset management gap of \$389 million and a net sectorial operating deficit. The problem is the outcome of serious systemic flaws in the funding model for local government—flaws identified by the Allen inquiry, by the Independent Local Government Review Panel and by the Government's own Treasury corporation; flaws created by nearly 40 years of rate pegging, which coincides with ongoing cost shifting from both State and Federal governments; and flaws which will remain no matter how many amalgamations this Government rams through against community wishes.

In a recent media report the chair of the Independent Local Government Review Panel, Professor Graham Sansom, said the Government was "dumbing down" the panel's report by ignoring the majority of his recommendations in the rush towards amalgamation. And Local Government NSW agrees. If this Government is serious about financially sustainable councils, about delivering the best possible outcomes, about operating in the best interests of residents and ratepayers, then amalgamations are simply a side game. They will not place downward pressure on rates and they will not improve levels of service. New South Wales already has the lowest per capita council rates of any jurisdiction, other than the Northern Territory. The most recent available national statistics show that New South Wales rates per capita were about 20 per cent below the national average.

The Hon. LOU AMATO: Point of Order: We have the report here. Perhaps we could get on with questioning as we do have a time frame.

CHAIR: The point of order basically is that a lot of this material is in the submission. I would ask you perhaps to be a bit more focused in your concluding statements so we can proceed with questioning.

Cr RHOADES: Sometimes it is advantageous to incorporate a lot of the submission into the opening statement because, as somebody giving information, I cannot guarantee that everybody has read our submission to this inquiry.

CHAIR: I appreciate your help in this matter, but I ask you to conclude your statement so we can move on to questions.

Mr DAVID SHOEBRIDGE: And you can tender the statement, too.

CHAIR: And you can tender your opening statement into the record.

Cr RHOADES: One of the things that we found in this journey that we have gone on with the State Government is that there is one thing out of this whole process which has been quite clear and that is the positions of communities regarding forced amalgamations. Very strong opinion polls have been taken which clearly show that a very high percentage—in excess of 60 per cent—of communities do not support forced amalgamations. What we have seen over a period of time is that with amalgamations, whether it be in Queensland—only back in 2008 where it was going to be the be all to end all—we have seen de-amalgamations because it simply did not work. We have seen an increase of 27 per cent on average of rate increases across Queensland since then, no decline. We heard from the previous speakers about Tamworth Regional Council. Let us go back to the Clarence Valley in 2003-04—five councils into one. Let us look at the other amalgamations that have taken place. Do some research and you will find that rates have not decreased because the councils are bigger. They simply have not decreased.

Yet we have continual comment from Government that forced amalgamations—on the floor of this Parliament it was stated that forced amalgamations will drive down rates. I am sorry, there is no evidence to support those statements. What has been disappointing throughout this process is the simple fact that, of the 60-odd recommendations from the panel, all the focus has been on one. The Government's focus has been on getting the number of councils down. It has to get the number down to a level that appeases the three major metropolitan lobby groups that are involved in the development sector. It is not about communities. This is about the opinions, the feedback we are getting from communities that they do care and they have concern for their local council.

That is where this process that we have been going through has been flawed, in our opinion, when we have not done any basic ground work into looking at what was identified in Dubbo in 2011 when all 152 mayors and general managers were present. Number one on the hit parade was the financial sustainability and viability of local government. But it was a segue, a pathway for government then to be lobbied by certain groups to be able to decrease the number of metropolitan councils as per the original statement simply because it will make the planning system a lot better. We have always offered the fact that if we can get the planning reforms in New South Wales better, most of those problems will be achieved that are causing these issues to some of those development groups.

CHAIR: Thank you for your comprehensive opening statement. What do you propose happens to councils, given that one-third of them have been identified as being financially unsustainable in the past? What do you suggest to those that are totally financially unsustainable? What would be the process of dealing with those councils?

Cr RHOADES: One thing we have to do initially—as in, the Government has to do—is to park the remaining balance of that \$258 million and keep it earmarked for local government, not to go back into consolidated revenue. If there a push by Government to drastically reduce the number of councils in New South Wales that remaining balance of \$258 million plus a hell of a lot more will be needed by those councils and the government of the day to be able to implement what they are trying to do. You simply do not put two or three councils together and say things will be fine and dandy, we will move forward from here and everything will be great. Because it will not be. There are processes that have to be done.

Let us not forget that we have one council in administration at the moment—that being Central Darling Council. Actually its problem was financial. It is the largest council by landmass in New South Wales yet it has an income of only just in excess of 7 per cent from rates. For the rest it is wholly reliant on grants. Hence it has found itself in that position. Yes, there are some councils like that. One thing that councils have reported back to me and to Local Government NSW is the simple fact that they have actually enjoyed the journey of this reform process because it has allowed them to have a look at their business again. It has allowed them to see that, for example, their asset valuations may have been a little out of whack to where they possibly should have been. They have had that opportunity.

CHAIR: Mr Rhoades, my question was pretty poignant. What would you do with those councils that fall over financially? How does Local Government NSW address that matter? What is the solution?

Ms RYGATE: I can answer that. We actually have our own "FFF"—that is about fix the funding first. That is not to say that all councils are in financial difficulty, but many of them are. That is a problem that has long been recognised, including as part of the Destination 2036 process in 2011. As members would know from

our submission, we think that there are a number of causes of that problem that need to be addressed. On the rating system, the independent panel recommended a review of the rating system. That review is yet to substantially commence. In the absence of that review, we have decisions being made about the structural arrangements of councils with the cart being put well ahead of the horse.

We have had rate pegging for almost 40 years. We heard discussions with the previous witnesses about average rates per capita in New South Wales relative to other jurisdictions. If our rates in New South Wales were at the national average then that would bring almost \$1 billion a year into the local government system, which would make an enormous difference to the financial sustainability of councils and to the critical services that councils deliver for their local communities.

We think that there needs to be a reform of rate exemptions. We go into that in some detail in our submission so I will not bore you with the specifics now. Exemptions have been around for a long time. They really need to be looked at. Things like the commercial activities of government probably should actually make some contribution to the roads and things that they use. Regulated fees and charges need to be looked at. We have a great example in our submission of the section 149 zoning certificates that people get when buying and selling property. They cost \$53 and they have cost \$53 since 1994. It possibly costs a little more to produce them now than it did then.

Then we come to the financial situation with the Commonwealth Government. The critical issue there is about financial assistance grants. Previously financial assistance grants to councils were 1 per cent of total Commonwealth tax revenue. In 2013-14 they were around 0.67 per cent. After the current Commonwealth Government's freeze on financial assistance grants indexation, that will drop to below 0.6 per cent. So local councils are delivering essential services to the community and they are being strangled in terms of their access to Commonwealth tax revenues.

The final thing I would mention as part of the solution to the financial situation of councils is cost shifting. Members know very well that State and Commonwealth cost shifting onto local government costs an enormous amount. Our last cost shifting survey, for the 2011-12 financial year, found that cost shifting cost \$521 million per year for councils. That has to stop. Ideally it has to go back the other way. I think if we addressed some of those issues then we would go a long way to remedying the financial situation of local government.

The Hon. PETER PRIMROSE: This question is for any of the witnesses. The Office of Local Government was not able to tell us what they thought the process would be after the Independent Pricing and Regulatory Tribunal [IPART] recommendations were received. Would Local Government NSW support what the Minister has alluded to in the media—that is, removing the Local Government Boundaries Commission process from the Local Government Act—in relation to any recommendations for forced mergers?

Cr RHOADES: No, our position is that there are two ways you can look at the Local Government Boundaries Commission. Let us take a clock face. The Government could decide to go forwards in a clockwise position to reconstitute the Boundaries Commission. It would go through a process and come back to the Minister. He or she, whoever it may be at the time, can then accept or reject that. It would then go to the Governor. Or it could go in the other direction, anti-clockwise—which would see the Office of Local Government requested to do a report on amalgamating councils. That would be referred to the reconstituted Boundaries Commission for comment only. Then a recommendation would go to the Minister for a recommendation to then go to the Governor. I think it is quite clear, and most people in local government land realise, that based on history the Government would prefer to take the route of "the less community consultation the better". Our opinion is that communities have to be involved in this, and all the research indicates that communities are very strong supporters of and very passionate about their local council.

The Hon. PETER PRIMROSE: So you do not support the removal of that boundaries commission process from the Act?

Cr RHOADES: We believe that the process of the Boundaries Commission has worked quite successfully over a number of years. It is very thorough. It does take time. We believe that is part of the reason why the Government does not want to pursue that course of action—because it might push out the time factor. The Government wants to ensure the reform, whatever it puts in place, is completed by the general elections in September 2016.

Ms RYGATE: There are some great strengths of the Boundaries Commission process. A public inquiry is really important, particularly given the list of issues that it needs to consider. The issues include the financial advantages and disadvantages of the proposal; community interest; geographic cohesion; historic and traditional values relating to the relevant communities and the attitudes of residents and ratepayers, which is just so critical, as Cr Rhoades said. Another really important issue is the requirement for elected representation and the whole question of local democracy.

Other issues include the impact on the ability to provide services; employment of staff, which again is an issue of enormous significance; the impact on rural communities, and there is a specific requirement to consider that; and some other things about wards and that sort of thing. All of those issues really need to be gone through. As part of the Fit for the Future process we have been very consistent in saying that the requirements for community consultation and community engagement need to be strengthened. I think the Boundaries Commission process adds considerably to that and would potentially make up for any flaws in the process so far on that issue.

The Hon. SOPHIE COTSIS: My question is for any of the witnesses to answer, through the Chair. The Abbott Government has cut \$288 million from local councils, and we know that this is going to affect the rural, regional and remote councils in particular. We all know that those councils are struggling. They have vast road networks to maintain, bridges they need to fix and a lot of community services to provide. There is huge demand. We all know that. As the peak body with 83 non-metropolitan councils, what do you think the solution is? Why isn't the Government focussed on these rural and regional councils?

Cr RHOADES: New South Wales took the biggest hit when it came to the freezing of the financial assistance grants. Of the nearly \$890 million nationally, our hit was \$278 million. Naturally New South Wales, being the biggest State, bore the brunt of those cuts. That has hurt councils quite dramatically in delivering services, as mentioned, particularly in regional and rural areas. I outlined in my opening address that we have a council, the Central Darling Council, which generates just over 7 per cent of its income through rates. The balance comes from grants. So members can just imagine the effect that that decision by the Federal Government has had on councils both in New South Wales and nationally. It does make it harder.

We are the level of government that has to take the hit when decisions are made by State and Federal governments about our income funding. At the end of the day, we have to take it back from the services we provide. But there is only so much that you can cut your cloth. The simple fact is that when you start to cut back on services it might come down to how often you go out and maintain that road verge, for example, to keep it clear or how often the council is able to mow the grass in its parks and reserves? When we start taking money away from local government in New South Wales it hits across the board what local government does for its community. That is the downside of those sorts of decisions. And, yes, it is harder for those regional and rural councils. That is why they need more than the \$4 million that has been allocated to those regional and rural councils which have submitted under the third submission, tier 3. When we looked at it we could never explain why there was \$23 million offered for two metropolitan councils to merge but only \$13 million offered for two rural and regional councils to merge.

The Hon. SOPHIE COTSIS: The Sydney accountants probably came up with that.

Cr RHOADES: You have the same services being provided to the community no matter where you are located in New South Wales. But there was a big differential in funding there, just for a start. We represent councils right across New South Wales. Local Government NSW knows that it is tougher to deliver services because of the square kilometre ratio faced by councils in regional and rural areas—in particular those in rural areas.

The Hon. ERNEST WONG: The other thing that has been widely mentioned is in regard to the time frame. The timing of the process was such that councils were given only two or three months before they had to put in a submission, according to a template not according to their own research, on how to address their particular issues. After all the reports from IPART, and given local elections are in September next year, I do not see how the Government will have enough time to go through the process with the community in regards to what they are seeing. Other impacts have also been mentioned. I think it was a submission from Mosman Council which talked about not only the financial situation but also the social and environmental impacts of this reform. So what do you think about this time frame issue?

Cr RHOADES: One of the many things that Local Government NSW, representing local councils, has been disappointed about is the process. Simply put, the time given to prepare the submissions was tight from the opening bell. Then we were hit with the time frame that IPART has been given to assess those 144 submissions, and may I say that less than one day per council is allocated to assessing those submissions. We have to ask if this is fair dinkum. Do we really want an answer that will tell you that the process being used is transparent? It can but make us think that the answer is known by very few—but there is an answer there that all of us out in the wider world are not aware of as yet.

Mr DAVID SHOEBRIDGE: Even if everybody in IPART focused on one council for one day that surely is not enough? That is your position, Cr Rhoades, isn't it?

Cr RHOADES: That is exactly right. I have always had a personal philosophy that if you are going to do something in life then you should do it once and do it properly. To rush this and not give it the opportunity that it deserves to be thoroughly assessed means we cannot blame people for having conspiracy theories, for argument's sake, that this whole thing is a sham. It is about meeting deadlines. It is about making sure that the answer can be kept by Government within the first two years of its term so we do not get too close to the next election. We all know the political games that are being played. It is about timing. As far as we are concerned, the Government's agenda is to get it done in a short time frame and to move on.

The Hon. ROBERT BORSAK: Cr Rhoades, just while you are on that subject, if the Government gets its way on amalgamations do you think it is an honest process as it relates to Sydney councils versus regional councils? Is there a suspicion that in the end regional councils will not be forced to amalgamate anywhere near as much as the Sydney-based councils, for example? Do you want to speculate as to why that might be?

Cr RHOADES: Just, I suppose, to support in some respect my commentary of a couple of moments ago about only a very few knowing the outcome of this process, if there is one that is on a wall somewhere or in a drawer.

The Hon. ROBERT BORSAK: In the bottom drawer somewhere?

Cr RHOADES: Possibly. If you go back and look at the commentary through the process there has been a very strong focus on metropolitan; there is no doubt about that.

The Hon. ROBERT BORSAK: I wonder why.

Cr RHOADES: Well, you have only got to go back to the commentary in 2010, the latter part leading up to the 2011 State election coming from certain lobby groups within metropolitan Sydney. It was all about metropolitan councils; reduce the number of metropolitan councils. At the time they obviously did not realise we do have a regional and rural part of New South Wales. We are a level of government that incorporates 152 councils statewide but the focus was metropolitan. So when you are trying to think of a person or in this case the Government's position and you are saying, "Okay, we are left with five or six possible scenarios ", one is—and you cannot ignore it—the fact is that their intent is more focused on metropolitan than regional and rural and we cannot rule that out.

Mr DAVID SHOEBRIDGE: The question is, why?

CHAIR: It is the Opposition's question time.

The Hon. ROBERT BORSAK: But I ask, why?

The Hon. SOPHIE COTSIS: Mr Rhoades, on the rural and regional councils' impact, it is quite misleading that the Government keeps talking about councils losing \$1 million a day. What is your counter to that argument? When you look at TCorp, yes, many councils are not doing so well and most of those councils are in rural and regional New South Wales; they are the ones that need attention and support, particularly in their capacity. What is your counter view?

Cr RHOADES: This has been another very disappointing part of the process. "Transparency" has been a word I have used on a couple of occasions already this morning. When statements were made that local government is losing \$1 million per day, I immediately liaised with the Minister to please clarify. I have done

that on probably 12-plus occasions and other organisations have done it as well. As I sit here before you today the Government has not responded. I even used the phrase, "Hey, we are local government. We are like the little boy in Holland years ago who walked along a street, saw a hole in the dyke and he said, 'That's leaking. I am going to stop the leak. I will plug it.'". If someone can tell us where that \$1 million a day is being lost by local government, this organisation will give you an assurance that hopefully within 48 hours we will plug it, but the Government has not answered our question. There have been questions asked in the Upper House of the Government on the same thing. No reply. It is a great one-liner, it is great headlines, but is it factual? I don't know.

The Hon. PETER PRIMROSE: May I ask in relation to that allegation if you can come back to us with maybe some more comment and more details because that \$1 million a day has been and is repeated constantly. I mean every time the Minister speaks he raises it. You are correct, we have sought information numerous times and I know many other councils have asked for clarification and have not received it. I think it would be good if we had some advice from you.

Ms RYGATE: Might I add something to that, Mr Primrose?

The Hon. PETER PRIMROSE: Yes.

Ms RYGATE: The best approximation seems to be in relation to councils reporting operating deficits as indicated by their operating performance ratio. Having said that, some of them are also reporting very tiny deficits or, in fact, surpluses. The operating performance ratio, we would argue, if that is in fact where all of this comes from, is but one of many financial indicators that tells you about the sustainability or otherwise of a council. It needs to be considered historically and in context. You can achieve operating surpluses by allowing your infrastructure to deteriorate, for instance, and nobody would argue that that was a good thing to do.

Another weakness of that indicator is that depreciation represents a really large proportion of the total operating expenses of councils on average. The reported level of depreciation expenses has a large bearing on that operating result and can be difficult to estimate. Depreciation data varies in its reliability, shall we say, and you need to consider the operating performance ratio as a trend over time as well. So that is the best we can approximate. Even if councils were losing \$1 million a day, which we would absolutely dispute, that cost shifting number I gave you before of \$521 million a year; that is a fair bit more.

Mr DAVID SHOEBRIDGE: And you would point to the analysis of John Comrie in that regard—

Ms RYGATE: Yes, absolutely.

Mr DAVID SHOEBRIDGE: —which, particularly on Taree council, points out how woolly some of those depreciation figures are and how they can be manipulated?

Ms RYGATE: Yes.

The Hon. PETER PRIMROSE: Perhaps you can take this on notice but you mentioned earlier the issue that amalgamations have not led to lower rates in any location, particularly as we have the Minister proposing that any amalgamated councils would in fact be given additional responsibilities which, I presume, would be additional costs. Could you come back to us with your comments on that?

Cr RHOADES: We can and we will back that up with consultation we have had, for argument sake, with the Local Government Association of Queensland. We have done our research. I mentioned before that since 2008 an increase of approximately 24 per cent to 27 per cent in rates on average across the State of Queensland; Victoria was not much different. When it comes back we will get that information for you. It is just unfortunate, as I said before, these one-liners and bits of information that come out might sound good, might sound great for trying to push a barrow but the simple fact is that it has got to be factual and it has got to be based on evidence that backs it up and we can't find any.

The Hon. ROBERT BORSAK: Do you want to comment on what was mentioned here earlier that cuts to financial assistance by the Federal Government over the next four years are going to cost something like \$288 million? In your view how is Fit for the Future going to address this loss of funding, if at all? The second part is: If it does not, how would you suggest we do address it if there were no Fit for the Future process?

Ms RYGATE: I do not think that Fit for the Future does anything to address the situation of Commonwealth funding and as I said previously that is one of the key planks of actually fixing the financial situation for local councils. The freeze in indexation of financial assistance grants is going to cost New South Wales councils and New South Wales communities almost \$300 million. By the time the freeze is over, if it really is lifted at the end of the 2017-18 financial year, then there will be a permanent reduction in the financial assistance grants base of 13 per cent. They will be reduced in real terms by nearly \$1 billion nationally. The share of financial assistance grants funding to local government is dropping.

CHAIR: Can you indicate what year it was that the financial assistance grant was last at 1 per cent?

Ms RYGATE: It was 1996-97.

Mr McBRIDE: It was 1 per cent; I just cannot think of the exact year.

CHAIR: Just roughly?

Mr McBRIDE: It was also during the Fraser Government. It increased up to that time.

CHAIR: I just want to make the point that numerous Federal governments have cut the financial assistance grants.

Ms RYGATE: I do not think we would dispute that. It is not a partisan issue.

CHAIR: No, it is not aimed at you.

Ms RYGATE: It is an issue of proper funding for local government from whatever Commonwealth Government.

CHAIR: I am just stating that for the record that it is has been in decline by numerous Federal governments.

Ms RYGATE: Yes, and it needs to stop because councils are being expected to deliver more and more services with less and less money and that is completely unreasonable. To go back to Mr Borsak's question, the Fit for the Future process does not really address the situation of Commonwealth funding. We have called on the State Government to join us in continuing to support and campaign at Federal level for reinstatement of financial assistance grants indexation and a growth in the percentage even as recently as in advance of the Council of Australian Governments [COAG] events last week. It is not part of Fit for the Future but we are trying to get the State Government to come with us because it is not in the State Government's interests for local government to be underfunded.

CHAIR: It is a major pillar for holding up the building and if you do not address the Federal funding the building will topple over without the Federal assistance grants being addressed?

Cr RHOADES: And, Mr Chair, may I very quickly add as well the simple fact is that out of the three-year freeze we have now gone past the two-year mark where the Federal Government did not reverse the decision. From a national level at the Australian Local Government Association [ALGA] we are not looking overly confident that it will be reversed and we will get rid of the three-year freeze. We think that the Government will go with their three years and it will have that impact that I mentioned before in dollar terms right across.

The Hon. ROBERT BORSAK: Just turn your mind to amalgamations for a moment. It is understandable why the focus on amalgamations by local communities is being so hotly contested. Non-merging councils are being asked to comply with a set of strong economic criteria. IPART has said that 96 per cent of councils would fail against these criteria at current levels. Merging councils have not been asked to satisfy any economic criteria. Do you know why the Government is not expecting merging councils to be financially healthy?

Ms RYGATE: I think you would probably have to ask the Government to answer that question, Mr Borsak.

The Hon. ROBERT BORSAK: I am asking you to speculate.

Ms RYGATE: I am under oath. I do not think that covers speculation.

The Hon. ROBERT BORSAK: You are not a public servant so you can speculate. You do not have to sit there and say, "No, your Honour, I don't know. The Government hasn't told me what to say yet."

The Hon. BEN FRANKLIN: Point of order: The Hon. Robert Borsak is asking for an opinion.

Mr DAVID SHOEBRIDGE: No, it is committee of management in confidence. It is a valid question.

CHAIR: He is asking whether people in this specialty have a view on the matter and I do not think there is anything wrong with that.

The Hon. PETER PRIMROSE: And there is nothing wrong about asking for an opinion.

CHAIR: No, there is nothing in the standing orders if you want to but if you choose not to do so, we will move on.

The Hon. ROBERT BORSAK: There are only four cases in which councils have agreed to merge in their proposals, I believe. Why do you think the Government has failed to convince other councils that amalgamations are worthwhile?

Cr RHOADES: One of the things that has stood out through this process, again it has been demonstrated by the level called local government, is that we are very good at consulting with our communities and if the other two levels of government were to take this on board and take on the examples in the leadership shown by local councils they would find out that communities do care about their local councils; communities do care about the level of service and the services provided by their council.

I have been involved as an elected member—I am starting into the twenty-fifth year—and I have seen it deteriorate over that period of time where services that councils provide are becoming less and less. As we said before, with cost shifting the service comes across but the ongoing funding of that service does not come with it. Everyone jumps with joy when the Federal Government lashes out with, say, a \$1 billion program nationally to put in infrastructure. That comes at a cost to local councils because at a certain stage after that infrastructure is in place it has to be maintained and there is no financial advantage that comes with that. Over the years you find those sorts of processes do not help local councils financially in the position that they are.

Ms RYGATE: A lot of councils in going through the Fit for the Future process told us that they had done business cases to explore different merger options and that the numbers did not stack up in favour of those mergers. The other important thing, as the President has just said, is about community opinion. Despite the rhetoric about communities not caring about council amalgamations, that is in fact not true.

The Hon. ROBERT BORSAK: Not in my local government area.

Mr DAVID SHOEBRIDGE: Nor mine.

Ms RYGATE: Absolutely. Market research conducted across 14 local government areas in Sydney between January and June this year, of about 7,000 people representing local government areas of more than one million people in total, found that 59 per cent of them were aware of the Fit for the Future recommendation about councils being amalgamated, 85 per cent supported councils standing alone and 61 per cent identified no change as their first preference.

Mr DAVID SHOEBRIDGE: Can you provide us with a full copy of those?

Ms RYGATE: Certainly.

Mr DAVID SHOEBRIDGE: The Government has made some moment of the fact that you were involved with the ministerial advisory group about the criteria that had been put to IPART. You did have some involvement in that group, is that right?

Ms RYGATE: Yes.

Cr RHOADES: That is correct. Of the four positions other than the independent chair Local Government NSW has two of those positions, the United Services Union has one and the Local Government Professionals Australia NSW has the other one.

Mr DAVID SHOEBRIDGE: In the course of that involvement, did they ever explain to you why none of the benchmarks that are used to measure Fit for the Future are related to the effectiveness of the services that councils are providing? Did they explain that to you?

Ms RYGATE: No. It is very clear that the Fit for the Future process is focused solely on financial benchmarks. I am sure you have read our submission and the attachments—analyses of those benchmarks that we had done by John Comrie, who has subsequently been appointed as part of the IPART assessment process. He makes it very clear that not all ratios and benchmarks are equal and that they can be read in any number of different ways. We have been very consistent throughout the Fit for the Future process in wanting to broaden out the consideration beyond just those financial benchmarks, leaving aside the flaws with those.

Mr DAVID SHOEBRIDGE: I am asking you, when you are on the ministerial advisory group, I know that you no doubt said, "We should be looking at the effectiveness of services. We should be looking at democracy."

Ms RYGATE: Yes, and the social impact, and all those kinds of things.

Mr DAVID SHOEBRIDGE: And what did the Government say?

Ms RYGATE: The Government—

Mr DAVID SHOEBRIDGE: Computer says no.

Ms RYGATE: —has remained wedded to the process that it has put in place.

Mr DAVID SHOEBRIDGE: When you made the case for including democratic issues, environmental issues and effectiveness issues, did the Government have a reasoned response, or did they just say no?

Cr RHOADES: No, no reason given. One of the disappointments of the ministerial advisory group, from my position sitting on that group, is that the relationship between LGNSW [Local Government NSW], the USU [United Services Union] and the LGPA [Local Government Professionals Australia] is such that virtually every position put forward on behalf of the councils and communities was supported by all three groups.

Mr DAVID SHOEBRIDGE: So the three stakeholders are of one view.

Cr RHOADES: Yes.

Mr DAVID SHOEBRIDGE: And the Government just ignored you.

Cr RHOADES: Yes.

Mr DAVID SHOEBRIDGE: I will ask you about strategic capacity. Your submission makes it clear that councils do not know, really, what the meat and potatoes of that criteria are. IPART is looking at things such as scope to undertake new functions and major projects, credibility for more effective advocacy, and capable partners for State and Federal agencies. When you are talking to councils, do they know what on earth the Government is getting at?

Ms RYGATE: No, they do not, and it is almost impossible to measure something like "ability to employ a wider range of skilled staff". Wider than what, and how much wider?

Mr DAVID SHOEBRIDGE: Are we comparing Central Darling with Sydney?

Ms RYGATE: We have asked these questions of Government, given that those elements of strategic capacity were in the Independent Panel's report—the infamous box eight. They have since been transferred into the IPART methodology and we have asked these questions of IPART as well. We cannot get any satisfactory answers on behalf of our members, the councils.

Mr DAVID SHOEBRIDGE: This is a pass/fail criterion, is it not?

Ms RYGATE: Scale and capacity—yes, absolutely. Conflating scale and capacity is also problematic. How do you measure scale? What does it mean? Is there some sort of objective right or wrong there? The answer is no.

Mr DAVID SHOEBRIDGE: On the issue of strategic capacity, we now see the Government retreating from the fact that amalgamations produce financial outcomes. They are now hanging their hat on strategic capacity. Does the local government sector know what it is the State Government is testing them on?

Ms RYGATE: The elements of strategic capacity are "more robust revenue base and increased discretionary spending". How much more? More than what? Increased by how much? And then you can go on down the whole list of them.

Mr DAVID SHOEBRIDGE: What about "scope to undertake new functions"?

Ms RYGATE: What does that mean?

Mr DAVID SHOEBRIDGE: Which new functions? Have they discussed with you new functions?

Ms RYGATE: No.

Mr DAVID SHOEBRIDGE: What about "knowledge, creativity and innovation"?

Ms RYGATE: That is a really good one.

Mr DAVID SHOEBRIDGE: What does that mean? Do you know what it means? Do any of you know what it means? Do any of your councils know what it means?

Ms RYGATE: We consistently asked the question on behalf of our members and an answer has not been forthcoming in any objective sense.

Mr DAVID SHOEBRIDGE: Yet this is what fitness is being tested against.

Ms RYGATE: Yes.

Mr DAVID SHOEBRIDGE: Has IPART been able to explain how it will work out whether or not the City of Sydney has knowledge, creativity and innovation?

Ms RYGATE: IPART has been unwilling to explain that.

Mr DAVID SHOEBRIDGE: In other words, it is a very opaque discretionary test.

Ms RYGATE: Yes.

Mr DAVID SHOEBRIDGE: How can any resident have faith that the future of the council will be properly tested against such an opaque discretionary test? Do you know?

Cr RHOADES: No argument with that.

Ms RYGATE: That is absolutely right.

Cr RHOADES: Total agreeance.

The Hon. LOU AMATO: Mr Rhoades, would you not say it is in the interests of Local Government NSW to have a lot of small councils because then the more councils there are, the more membership fees Local Government NSW receives? Would you say that is true?

Mr DAVID SHOEBRIDGE: That is not how your fees are based.

Cr RHOADES: Look, I am going to refer back and just make the comment as I have before. Councils—in particular, you did say the word "small". Let me just say that those small councils in your opinion, which are predominantly the rural ones, are very, very, very much needed by their communities.

The Hon. LOU AMATO: Yes, but my question was—

Cr RHOADES: It is not about numbers. It is not about an income for Local Government NSW.

The Hon. LOU AMATO: My question was, with all due respect: Is it in the interests of Local Government NSW to have small councils? If there are small councils, does Local Government NSW receive more membership fees? That is the question: Does Local Government NSW receive more?

Cr RHOADES: Through the Chair, we have not been far down that road to investigate things like that.

The Hon. LOU AMATO: Is that yes or no?

Cr RHOADES: Our job and our focus have been, and will continue to be, to ensure that local communities have a strong local government sector.

The Hon. BEN FRANKLIN: Yes, but that is not the question. The question is: Do councils pay a fee?

The Hon. LOU AMATO: You are not answering my question.

CHAIR: Order! Mr Rhoades, it is a pretty clear question. If you have 152 councils as your membership and that was to be decreased by 20, would that affect your fees?

The Hon. ROBERT BORSAK: The question, Mr Rhoades, is: Are you being self-serving?

Cr RHOADES: When the Government, if the Government makes a decision on the number of councils there is going to be in New South Wales—

The Hon. BEN FRANKLIN: You are not answering the question.

CHAIR: Order! Let the witness answer.

Cr RHOADES: —Local Government NSW, in the lead-up to that, will look at, naturally, the services that we provide to our members and can we maintain those services with a reduced income. But as I said, and I will say it again, it is a road that we have not gone down too far as yet because it is not the focus of our attention.

Mr DAVID SHOEBRIDGE: But bigger councils pay more membership, so it is a net zero.

Ms RYGATE: Could I also say that the policy position that we are advocating on behalf of the local government sector is the policy that is set by the entire local government sector at our annual conference. The position in support of voluntary amalgamation and in opposition to forced amalgamations is a longstanding position that has been established for our organisation by our members—the councils—at conference, and that is the position that we are advocating on their behalf. I can hardly consider that self-serving.

The Hon. LOU AMATO: Okay. What about maybe answering this question. When is the election for the position of president of Local Government NSW? When is the next one?

Cr RHOADES: It occurs every two years. The position of president is a two-year appointment voted on by the council delegates.

The Hon. LOU AMATO: When is the next one on?

Cr RHOADES: The next one is in October this year—on 12 October.

The Hon. LOU AMATO: Out of curiosity for the benefit of everyone, have you nominated or will you nominate as a candidate?

Cr RHOADES: Under our constitution, if I was to renominate for the position I am entitled to.

The Hon. LOU AMATO: That was an easy one: yes or no. You either will or you will not.

Cr RHOADES: I enjoy my role in local government, I really do, at both a council level and at a State level. The decision when the Electoral Commission opens that up will be when a nomination goes in from, I am quite sure, various people to look at that.

The Hon. LOU AMATO: This will be my last question of you, in fairness to my colleagues so that they can ask questions: In Local Government NSW's submission, it describes its role as the sword and shield of the New South Wales local government sector. Would the sector still require a shield, if councils had sufficient scale and capacity?

The Hon. PETER PRIMROSE: Who in the Minister's office wrote this?

Ms RYGATE: I think we have just talked about scale and capacity and how opaque and difficult that is to pin down. I think that as the sector closest to the community—delivering essential services to the community, representing the community at grassroots level—local government does need to have a strong voice. It also needs to have a strong advocate when it comes under attack from all sorts of different forces.

Mr DAVID SHOEBRIDGE: Such as just happened.

The Hon. NATASHA MACLAREN-JONES: I have got just one question for Ms Rygate. You mentioned before or touched on funding that comes from councils. They fund your association. Therefore you would say that your main stakeholders are councillors.

Ms RYGATE: They are our members, Ms Maclaren-Jones.

The Hon. NATASHA MACLAREN-JONES: They are your stakeholders.

Ms RYGATE: Yes.

The Hon. NATASHA MACLAREN-JONES: How do you reconcile a situation where the motions passed by your councillors, your body, are in direct conflict with what is in the best interest of the community?

Ms RYGATE: I do not accept the premise of your question.

The Hon. NATASHA MACLAREN-JONES: Do you say there is never a conflict?

Ms RYGATE: I do not accept that we are advocating against the best interests—

The Hon. NATASHA MACLAREN-JONES: The question was: How do you reconcile? What processes do you have in place to ensure—

Ms RYGATE: I do not need to reconcile, if I do not accept your premise.

The Hon. BEN FRANKLIN: It is not an unreasonable question to say that the constituent bodies of Local Government NSW are councillors. Councillors are the ones who will be impacted if there are a smaller number of councils. Therefore is there not some concern that there is a degree of self-interest in your submission? I have tried to say this respectfully, but I think that is where my colleagues are getting to.

Cr RHOADES: Yes, I understand. It is just a shame that we are using oxygen to talk about what I believe is an issue not related to this matter. It seems we want to continue to go down that road.

The Hon. SOPHIE COTSIS: Politics.

The Hon. PETER PRIMROSE: It is the Minister's office.

Cr RHOADES: Just to correct you: It is not the councillors who are members of LGNSW. It is the councils as the members.

The Hon. BEN FRANKLIN: I understand but the councillors are representatives.

Cr RHOADES: As Ms Rygate has already stated previously, the conference each year is the policy-setting platform for Local Government NSW. The board administers those policies.

The Hon. BEN FRANKLIN: That is fine. We will move on to the more substantial issues, if that is all right, Mr Chairman?

CHAIR: Yes, thank you.

The Hon. BEN FRANKLIN: Can we go first to your arguments about rate pegging. As far as I can see, one of the alternatives that Local Government NSW is putting up to structural reform is basically imposing higher rates on your constituents, or on the constituents of councils. Would you agree with that?

Mr DAVID SHOEBRIDGE: I think that question is out of order. It is not an alternative. I think my friend is misstating the position of the organisation. They have already said that they are happy to do reform in conjunction with this.

CHAIR: Okay. I ask the member to reconsider and reframe his question.

The Hon. BEN FRANKLIN: I am happy to rephrase. The first point of the significant issues that you raise was on rate pegging. Would you agree that by doing away with rate pegging, what you are doing is in fact slugging ratepayers with higher bills and that that is one of your proposed solutions?

Cr RHOADES: No. Simply put—

The Hon. BEN FRANKLIN: So it will not cost ratepayers more?

Mr DAVID SHOEBRIDGE: Let him answer.

Cr RHOADES: Simply put, councils these days go to their communities when they are seeking a variation above the rate pegging level.

The Hon. BEN FRANKLIN: Indeed they do.

Cr RHOADES: They do, and they have to have a certain percentage of support.

The Hon. BEN FRANKLIN: How many councils have done that?

Mr DAVID SHOEBRIDGE: Point of order: I think Mr Rhoades is trying to answer the question.

Cr RHOADES: The councils have to demonstrate to IPART that they have a very strong percentage of the community that either support or reject those applications above the rate pegging limit. When you talk about the spectrum of rate pegging, when you know—you know because your accountants tell you and your financial advisers tell you—that your costs are going to increase—local government is also susceptible to electricity price increases, to oil-product based increases for bitumen and so forth—we wear those costs. When you know those costs are in excess of 7 to 8 per cent per annum and the minder or the keeper is giving you only 2.5 or 2.7 or 2.9 per cent, where do you go?

The Hon. BEN FRANKLIN: I do not know that I agree with that contention.

Cr RHOADES: You have got to go back to your community, and that is what we do at the level of local government.

The Hon. BEN FRANKLIN: Thank you. With the greatest respect, I am not sure that Coffs Harbour does. As the chair of IPART said, when they applied for a special variation in 2014-15, in a media release:

Concerns that the Coffs Harbour community was not adequately consulted about the impact of the Council's proposed special variation have led to IPART approving the requested increase for one year only.

We have made this decision because while the additional income is clearly needed given the backlog of infrastructure maintenance and renewal, and the council's weak financial position, we are not confident that the extent of the proposed rate increase was adequately communicated so ratepayers were fully aware of its likely impact.

I find that rather interesting considering your constant discussion and refrain about the need for community consultation. Let us put that aside and move on, shall we?

The Hon. PETER PRIMROSE: Let him answer.

The Hon. BEN FRANKLIN: It was not a question. It was a comment.

Mr DAVID SHOEBRIDGE: Point of order: To give fairness to the witness, he needs to be able to answer.

CHAIR: Order! We will have one person speaking at a time.

Mr DAVID SHOEBRIDGE: I think the witness fairly needs to be able to respond to that.

CHAIR: If the witness would like to?

Cr RHOADES: I think I did hear someone before utter the words, "Who wrote the comments that are coming out?" But anyhow, we will leave that to one side.

The Hon. BEN FRANKLIN: You do not suggest, sir, that I have not written my own questions.

Cr RHOADES: I have been through the process. Through the Chair, you are talking about my council. I have been through that process on several occasions where we have gone to community. Each and every time we have had support from community to put in the application and the council has gone down that path and put it in. We are not the determining level that says yea or nay, you can or cannot have that increase.

The Hon. BEN FRANKLIN: I understand that.

Cr RHOADES: Let us not forget there are a lot of councils in New South Wales—

The Hon. BEN FRANKLIN: Dr Boxall would disagree with your view.

Cr RHOADES: A lot of councils in New South Wales apply for a variation above the rate pegging.

The Hon. BEN FRANKLIN: Absolutely. Do you know how many in the last three years?

Cr RHOADES: In this current year we have just had, there were about 23 or 24.

The Hon. BEN FRANKLIN: There have been 64 in the last three years.

Cr RHOADES: With only one rejection this year.

The Hon. BEN FRANKLIN: Indeed and so that means—

Cr RHOADES: I did notice there, actually, just looking at some history that Wollondilly actually—

The Hon. BEN FRANKLIN: Mr Chairman, we do have limited time and I have a number of other questions, if I can continue?

The Hon. PETER PRIMROSE: Then stop making statements.

Cr RHOADES: —got a 10.8 per cent increase and they are going to put it into their roads and they had their community support that.

The Hon. NATASHA MACLAREN-JONES: Point of order: We have had Mr Shoebridge interrupting constantly. Please allow my colleague to ask questions.

The Hon. PETER PRIMROSE: To the point of order: If a member makes a statement, then it is in order for a witness to be given the opportunity to respond.

The Hon. NATASHA MACLAREN-JONES: To the point of order: They are deliberately interrupting our time.

CHAIR: I will rule on the point of order and the members will not direct me how to rule. Interruptions are disorderly at all times and I ask all members to act honourably and respectfully. If a member asks a question, one would expect that a person should have a right to respond. If the witness wants to respond, so be it.

The Hon. BEN FRANKLIN: In your submission you raised the 2007-08 Queensland local government reforms and suggested that they had failed. Do you know how many new councils were created in that process?

Cr RHOADES: Queensland—

The Hon. BEN FRANKLIN: We do not have much time, so just yes or no.

Cr RHOADES: I think Queensland reduced to 78. No, Victoria went from 168 to 78.

The Hon. BEN FRANKLIN: If you do not know, please take it on notice. I can let you know that 31 new councils were created. You suggested that it had failed because of the number that had de-amalgamated. Do you know how many de-amalgamated?

Cr RHOADES: Five, by memory but I will stand corrected.

The Hon. BEN FRANKLIN: Four de-amalgamated.

Cr RHOADES: And there were some big ones, too.

The Hon. BEN FRANKLIN: So 27 out of 31—when all of them had the option—did not do it.

The Hon. SOPHIE COTSIS: No, that is wrong.

The Hon. PETER PRIMROSE: That is incorrect. Check what Campbell Newman did.

The Hon. BEN FRANKLIN: I would like to move on to Local Government NSW. You suggested that you support voluntary mergers.

Cr RHOADES: I was wondering if I got the opportunity to answer the question.

CHAIR: Sometimes it is very hard to distinguish whether a member is making a statement or asking a question. You may respond if you feel that was a question.

Cr RHOADES: It was. The figure is 27.4 per cent and that compares in the same period of time to New South Wales' rate growth of 13.4 per cent. Do forced amalgamations work? I will say it again: 13.4 per cent for New South Wales compared to 27.4 per cent for Queensland.

The Hon. BEN FRANKLIN: On the point of forced versus voluntary amalgamations and mergers, my understanding is that Local Government NSW supports voluntary mergers. Is that right?

Cr RHOADES: We have a policy which is set by members, and that is that if two, three or whatever number of councils wish to merge, we are there to support them. We are there to represent them to Government to ensure that the community will not suffer and the financial assistance from Government before the voluntary pathway forward is one that will not put them in a financially constrained position. Policy of the member councils is clear, and that is that we do not—repeat, do not—support forced amalgamations.

The Hon. BEN FRANKLIN: Do you concede that there are some benefits that councils might see in voluntary merging?

Ms RYGATE: Yes, we support councils that want to merge.

Cr RHOADES: You have the councils in metropolitan and two in rural that have submitted voluntary merger proposals, and we support that because obviously they have been through the process and they can see benefits for their communities; that is why they have lodged these submissions. No-one is saying to them that they should not do that because the majority is not doing that; they have consulted. Again, I bring you back to the point that local government is the best level of government when it comes to consultation. They have discussed it with their communities and they have the support of the communities to put in voluntary merger proposals.

CHAIR: Mr Rhoades, how long have you been in local government?

Cr RHOADES: Just kicking in to 25 years.

CHAIR: Have you ever had a community that liked the idea of rate rises?

Cr RHOADES: One of the things that I find—this is probably more a personal opinion—is that if I am a ratepayer not involved in local government, if council rates went up by an exorbitant figure every year, I know what I would be doing and I am pretty sure I know what every person around this table would do. You would ensure that the council was not there at the next election unless they could justify what they are doing. The community does have that option, but the constraints these days compared to 25 years ago, when I first was elected in 1991, is the simple fact that you demonstrate to your community, first, where the money is going. It is not as if it is going into a hidden tin for a rainy day. I gave the example of Wollondilly, where their rates increase is going into roads—spelt R-O-A-D-S—and not into a tin that is going to be used—

The Hon. ROBERT BORSAK: Not into my pocket.

Cr RHOADES: —at a later date for something else. We are upfront when it comes to our communities about where their money is going to be spent. Communities are quite good at telling their local councils on not only the issue of financial sustainability but on nearly every issue that comes before a council.

Mr DAVID SHOEBRIDGE: Have you ever been consulted by the State or Federal governments before they increase taxes?

Cr RHOADES: I am like everybody else.

CHAIR: Order! I snuck in further questions because I thought my second question would have a no answer.

Cr RHOADES: Have I ever been consulted as an Australian taxpayer when my Medicare levy goes up? Does the New South Wales Government of any political persuasion consult with me when my motor registration or insurance go up? The answer is no, and you know that.

CHAIR: I think that is in our terms of reference.

Cr RHOADES: But the local government does consult.

CORRECTED

CHAIR: I thank you for your presentation. As you know, you have 21 days to answer questions taken on notice and the secretariat will assist you on those matters. I know you do a great job across New South Wales as an organisation and I thank you for what you do for New South Wales and our regional, rural and metropolitan areas.

(The witnesses withdrew)

(Short adjournment)

ROBERTA RYAN, Associate Professor, Centre for Local Government, University of Technology Sydney, affirmed and examined:

CHAIR: Do you want to make an opening statement?

Associate Professor RYAN: My name is Roberta Ryan and I am the Director of the UTS Centre for Local Government and the Australian Centre of Excellence for Local Government which is a consortium centre, including Local Government Managers National and Institute of Public Works Engineers Australasia. I am here to provide some input on some research that we have been doing recently with respect to why local government matters and I thought that I could start with a few opening comments about some of that research. I do not have any particular expertise in the area of financing issues so members might like to seek advice from other people on that. I can provide the Committee with some observations about the reform process and about some of that research that might be of value. I am happy to take your questions and be directed.

Mr DAVID SHOEBRIDGE: Will you provide the Committee with details of your academic background?

Associate Professor RYAN: In terms of my academic background, my research is in the area of local government, urban governance, sustainability, policy and reform. I have done a lot of work in the past couple of years on the reform of the planning system in New South Wales. I was an academic in the 2000s, then went in the private sector and I joined UTS in the past 2½ years. In terms of overall comments in my opening, I think that reform is welcome and people in local government are interested in taking a close look at how local government in New South Wales is going. I do not think there is any disagreement about that. The rationale for the case for reform needs to be constantly put and argued, and obviously this is an opportunity before this Committee.

I do not disagree with anything in the report of the independent panel or in the Local Government NSW submission to the Independent Pricing and Regulatory Tribunal, so I will not repeat those views here, and I will leave those people to speak to that. Since the independent panel has reported and since the Fit for the Future process has commenced, I think it is useful to continue to think about what is the purpose of the reform of local government and to get some clear objectives and some agreed evidence. That is where we get into some interesting issues. I think the evidence around some of the questions we want to have discussions about is relatively weak, particularly in the specific context of New South Wales.

I would also suggest that with respect to the independent panel report, the 60-plus recommendations can be progressed and I think there is widespread support for many, if not most, of those recommendations in the sector, particularly with respect to the view of the value of strengthening strategic capacity of local government in New South Wales. One of the things that we have been doing some work on more recently is what do we mean by "strategic capacity" and trying to nail that down a bit more. I am happy to talk about it if that is of interest to members.

CHAIR: Yes.

Associate Professor RYAN: I think we all talk about strengthening strategic capacity but we all might have different things in our heads about that. Since the involvement of the Independent Pricing and Regulatory Tribunal there has been quite a strong focus on the financial aspects of local government, and I guess I would like to talk a little bit about some of those non-financial aspects and the things that might be of value in terms of strengthening strategic capacity. That is a conversation that might be interesting to have.

Mr DAVID SHOEBRIDGE: If you would cover joint organisations of councils that would be really helpful.

Associate Professor RYAN: Yes, I think the whole of joint service arrangements, joint organisations, is an important dimension.

Mr DAVID SHOEBRIDGE: Will you give us your observations on the metro/rural split?

Associate Professor RYAN: Yes, I have some notes on that and I will come back to them.

CHAIR: After your opening statement, if you can.

Associate Professor RYAN: There are different arguments for metro and non-metro councils, and I think those are important. The other key change in the context for the metropolitan councils in New South Wales is the evolving issues around the Greater Sydney Commission and the role and function of the Greater Sydney Commission within the context of reform of the planning system, and the major reforms not passing through the upper House last year. There is a lot of work being done on the Greater Sydney Commission and what that might look like. So for me, the discussions about what might happen in metropolitan Sydney and the Greater Sydney Commission might be linked in our minds around functions and powers. Debates around the functions of local government in the metropolitan area need to be thought about in the context of what the Government will want to do around the Greater Sydney Commission and what role and function it has. I think that is the other important dimension of the metropolitan and non-metropolitan context. Discussion about metropolitan governance is important as well.

I thought it might be helpful—and I promise not to do it in too much detail—to say that we at the centre recently completed the analysis of the first ever major survey in Australia about what people think about local government called "Why local government matters". There is a substantial report and there is a summary report and I thought I would highlight just a few of the key issues about that which might assist the reflections of the Committee. I will not go into a whole lot of detail and I can make all of the longer documentation available. I table this summary document which may be of assistance but I am happy to email the longer documents and the links.

Document tabled.

I thought I would take a couple of moments to draw on some of the data that might be helpful and then talk about where, in fact, the data is potentially not helpful. This was a national survey called "Why local government matters" and is statistically representative across Australia. We sampled the survey according to different categories or different types of local governments. It raised a whole lot of important and interesting data. The purpose of the survey was not to assess how satisfied citizens are with their particular government, so in that sense it is not a satisfaction survey. It has never been done in Australia or indeed internationally before. It is much more of what I refer to as a sector positioning survey, similar to what has been done in the arts sector around More than bums on seats, if people are aware of that research, which sort of demonstrated that the arts are really important to Australians in a whole range of ways, not just high art but art in terms of community and participation.

Likewise, "Who cares about the environment" is another example which demonstrated that citizens are kind of ahead of their views on the environment than much of government work. This survey was based on that kind of approach which is looking at what do people think about local government? What do they value about local government? What is important about local government with respect to where they live, the services that they receive, their capacity to influence what happens and so on. The report is 400 pages. I promise I will not go through it all but there are a couple of areas in which I think it is worth highlighting just in this discussion that might help us with respect to that survey.

We asked people a whole list of what is important to people locally, where they live, why they live where they do, what matters to them, and those are the things on the whole that local government does. We asked them to rank in importance from a list of about 25 things. What came out was the thing that citizens felt was most important that local government does is planning for them in their local government area. So 95 per cent of people ranked that as the important thing that local government does, which is surprising when we listed all the other things—waste, recreation, arts and culture and so on. The role of local government not just in terms of service delivery or being a democratic arm of government but in terms of advocating and planning for people at the local government area came out of the response with respect to that in terms of the highest in the survey.

There were very strong views about citizens wanting to be involved in decision-making, and there is quite a lot of nuance data about that. Citizens value local government, the professions in local government and local government officers for input and expertise around what kind of services that should be delivered locally. There is a whole lot of discussion about who is best placed to deliver services with respect to the private sector and the public sector and one of the findings that certainly was surprising to us was that 62 per cent of people disagree that the private sector is always best placed to deliver services. So there is a whole discussion in there about the role of the public sector in service delivery which I think is interesting.

I published a piece in the *Conversation* on that, which I can make available if that is of interest. People are willing to pay higher taxes for better services at the local government area. The majority of people agree that taxes should pay for more than basic services and many say they are prepared to pay more taxes to receive a broader range of services. Again, this is backed up by other research. It is particularly the case if the money collected for additional services is what we would describe as hypothecated—in other words, it does not go into general revenue. We have known in the environment area about special rates for sustainability or special—

CHAIR: Section 88.

Associate Professor RYAN: Yes, for the aged, et cetera. People want to see that it does not go into general revenue. They are prepared to pay extra as long as there are those conditions around transparency, et cetera. So there is no news in that, but I think there was also a strong emphasis on the interest about equity, people who are less disadvantaged getting services and the role of local government in the importance of accessibility around services. Part of the data here talks I think about the importance of local government as an advocate for people in local government areas, the importance of service delivery, yes, but also in terms of driving and giving people access to how those services are delivered, and of course a democratic dimension of local government all came through very strongly.

The survey was conducted in November last year. Certainly in New South Wales this was prior to a lot of broad-based community discussion about the amalgamation question. We only asked six questions about amalgamation so this data is not the answer to what people in New South Wales think about amalgamations but it is not that different—in fact, it is no different—from most of the research in this area so I thought I would highlight what we found and then that might be the opening point for some discussion about that. We asked people, "If your council joined with another to form a new local government area ..." and then we asked them a series of statements and how many said "don't know", "much worse", "no different", "better" and so on. To give you the answers to that, the question was: If your council joined with another to form a new local government area—that was the overall and then these statements followed. "... how my interests are represented by councillors?" would get "don't know", "get much worse", "no different", "much better". I can provide you with all the data. It falls out that 48 per cent of people say that in terms of their interests being represented by councillors it would be much worse or worse. Are people following?

Mr DAVID SHOEBRIDGE: Yes.

Associate Professor RYAN: I am sorry. I am very close to this data so I forget to explain it properly. My feeling of belonging to the local area, in terms of sense of belonging to the local area would be no different or better, 66 per cent of people; the way services are delivered would be better or much better, 55 per cent of people; the cost of local services, 53 per cent said that it would be no different or better; the cost of rates, much worse or worse, 67 per cent of people; sense of local community, better or much better, 61 per cent of people said no different or better in terms of sense of local community. That data is different for metropolitan councils and non-metropolitan councils. So going to Mr Shoebridge's question, people in non-metropolitan areas, that is, out of the urban councils, are much more concerned about the loss of local identity and access to councillors if their councils are joined or amalgamated.

This confirms other data. People in metropolitan areas fall about 50/50 on that question. It is similar to the data that was collected by the independent panel with respect to this. There are a few things I would say. There has been quite a discussion in the media, if people have picked up any of this with respect to this data and other data. Survey data is just that; it is survey data. The quantitative data was simply six phrases that we asked people. I do not think you would want to draw too much from it. I think we need to do much more qualitative work—we have begun that work—to understand what people's concerns are and what it is about reform of local government that they would like to see preserved. We know it is things about access to services, access to councillors, local identity. I do not think it is particularly helpful to draw too much from the quantitative data, and it certainly does go to the sort of questions that you ask.

By way of commentary to that, I met with Sir Bob Parker from New Zealand, coincidentally, last week. During the process of voluntary amalgamations of Queenstown, the question that they put to the community was: Is our local identity worth the cost of us working together to achieve more? Then they went through a process of voluntary amalgamations. So there is a lot of toing and froing around questions and data and who says what around these things, and I think we can get caught up in those arguments. That is someone who is a social researcher saying that. In terms of the discussion about council size, there is other evidence that we can

bring to bear about those questions and the impact of those, but I said I would make a short opening statement. I am happy to leave it there and take questions.

CHAIR: Given your experience and research, do you think there is a place for forced amalgamations?

Associate Professor RYAN: I think the evidence shows that it is entirely advantageous not to force amalgamations. I think that reform that occurs in a voluntary way, where councils come together based on their expertise and their local circumstances, provides better outcomes.

The Hon. ERNEST WONG: You know that this is a hearing for reform of local council, amalgamations, et cetera, and this reform is more focused on the financial sustainability of councils. In your research, do you have any data with regard to what people or communities treasure most? Is it the financial aspect of the council, or many other things such as social, environment, where people would be looking, more than just the financial situation?

Associate Professor RYAN: The research we have conducted with respect to why local government matters shows that local government is most important to communities for advocating for what they need and want locally so that their specific local needs can be understood, as well as the services that they deliver, as well as their access to councillors and the capacity to inform decision-making.

The Hon. ERNEST WONG: With this reform, were you able to construe with regard to the expectation of the community in relation to the function and purpose of the council? Is there any change of that aspect of the council where that has been supported by the research?

Associate Professor RYAN: Change over time or change in terms of the current context?

The Hon. ERNEST WONG: In the current context.

Associate Professor RYAN: The debate about what local government should be about is valuable and the reform process, these discussions bring on the debate and a focus on local government and its importance. I think everybody in the sector thinks it is useful, as do I as a great fan of local government. But I think that the conversations about how local government matters vary substantially from place to place and what people value vary from place to place. The big differences are between the metropolitan, such as Sydney and the 41, 43 Sydney metropolitan local governments, and the non-metropolitan local governments.

The Hon. PETER PRIMROSE: You mentioned issues to do with evidence in relation to the size of local councils. Can you elaborate on that with reference to the idea that, as we keep hearing, bigger is better? Without commenting, because you said you cannot in relation to financial and other issues, do people want bigger councils?

Associate Professor RYAN: I think that is a conversation we have not had in detail with communities and I think it is because we have to think about the implications of whether bigger is better. So there are lots of ways in which we can talk about bigger. Do we mean a bigger organisation, an organisation that has a substantially larger number of employees? There is some evidence, not necessarily in local government, but when you get organisations over a certain size there are certain inefficiencies associated with large-scale organisations and you have to insert layers of coordination so that you do not end up with lots of silos and all those kinds of difficulties. What is the optimum organisational size for local government in terms of the council itself? We do not have evidence about the optimal size.

CHAIR: In your research, has anything been done on that?

Associate Professor RYAN: No. We are looking at that with respect to organisations in general, so it is kind of organisational analysis but with respect to local councils. The discussion about whether councils that employ 3,000 people or 10,000 people, whether they are more efficient or less efficient, we do not have that kind of evidence. That is one discussion about size and scale. The other discussion about size and scale is how many square metres, the area of councils. That is why the metropolitan and non-metropolitan discussion is so important, because obviously larger areas and access to services in non-metropolitan areas, it is about distance, time to deliver and those sorts of areas in terms of that scale. The other measure that is used is around population numbers. In New South Wales we have councils that go from 10,000, 15,000, 20,000 people to 300,000. So the issue is: Are people less well represented in councils that have much larger populations than

much smaller populations? Are there efficiencies? Some of the data that I can bring forward, it is a mixed picture, if you would like me to just talk to that.

CHAIR: Are you familiar with Percy Allen's submission?

Associate Professor RYAN: Yes.

CHAIR: He talked about the efficiency of size and size theory.

Associate Professor RYAN: Yes.

CHAIR: Would you concur with his findings?

Associate Professor RYAN: I think there is more to be done on that. There is a lot of debate and discussion and there is still quite a lot of empirical uncertainty about this because it goes to the question, which I think was asked by Mr Wong, about the purpose of local government; so continued discussion about the purpose of local government and the purpose of reform and then the other issues follow from that. As to discussions about size, as the Committee would know, there is an ongoing trend for local governments to get larger, both in Australia and internationally. In New South Wales we have gone from having 324 local councils in 1910 to about 152 now, depending on which ones you count.

CHAIR: Is that because of technology? Back in 1910 people were still using horses and there were very few if any tarred roads. So is that because of technology?

Associate Professor RYAN: It is due to a whole lot of things. Where the populations are has changed. Population densities have increased. And the scale and function of what local government does have changed. I come back to the discussion around strategic capacity because it goes to the complexity of what services local government delivers. Just on the question of size, in terms of the reduction in the number of councils and therefore councils getting larger, that is a trend not just in Australia but also internationally. The other scale that is potentially useful to think about, and I have a whole lot of information here that I am happy to table, is to compare the number of local governments per hundred thousand people in Australia and internationally.

One thing that might be of interest here is what is called the index of geopolitical fragmentation. It is a catchy name. My colleagues Professor Blakely and Dr Hu have done some work around this. It is about really comparing how fragmented the governance of global cities is. That is why the discussion in a way needs to be different for urban areas and non-urban areas. The question about the fragmentation of governance is really important for urban areas. Some of the discussion around how large or otherwise local governments should be is reflected in the function and role of cities and the changing role of cities.

Compared to other major cities Sydney is relatively fragmented with respect to its governance, a la my opening discussion about linking discussions about reform of local government to thinking about the role of metropolitan governance and the role of the Greater Sydney Commission because there is more than one way to skin a cat. It might be that you make local governments larger, it might be that you make them smaller or it might be that they remain the same; but it is about role and function. So if we think about Sydney being a city of roughly five million people and how fragmented its governance is then we can address those questions, potentially by amalgamation or through forms of metropolitan governance.

Mr DAVID SHOEBRIDGE: But on a global scale you need to compare what local governments do.

Associate Professor RYAN: That is right, you do indeed.

Mr DAVID SHOEBRIDGE: There is a much bigger role for local government in New York or London, for example. So it is not a like-for-like comparison, is it?

Associate Professor RYAN: No, it certainly is not.

Mr DAVID SHOEBRIDGE: When you read the paper you see that is one of the primary difficulties they have in coming up with a final figure.

Associate Professor RYAN: Are you talking about Professor Blakely's work?

Mr DAVID SHOEBRIDGE: Yes. They are not really comparing like with like. It is a very complex issue.

Associate Professor RYAN: Yes, that is why they go to this geopolitical fragmentation approach. It does not talk specifically about the role of local government; it is about how fragmented is the governance.

Mr DAVID SHOEBRIDGE: It is kind of useful and not useful at the same time.

Associate Professor RYAN: It is sort of illustrative. There is a lot of discussion about the role of local government in servicing Sydney as a global city. We could have a discussion about whether the global city notion is a positive one or a negative one. But if we say that Sydney is a big city and has to function in terms of big city functions and how its governance is arranged then how fragmented it is is one element of that. Their data compares this sort of fragmentation. Sydney is 0.27, Frankfurt is 0.1 and London is 0.08—and I can go on with numbers but they are a bit tedious—we see that Sydney is three or four or five times more fragmented with respect to its governance than other major cities. It is not a specific commentary on local government in that sense. I am trying to link the discussion about the size and functions of local government with an overall discussion about metropolitan governance.

CHAIR: So are you in favour of the Greater Sydney Commission?

Associate Professor RYAN: I do not know enough about the current proposal to have a view about that. I have not been closely involved in any of those discussions so I do not know. I am just saying it is hard to consider the fragmentation of metropolitan Sydney without considering the role of the Greater Sydney Commission or some form of metropolitan governance because it goes to the question of roles and functions. So if the role of the Greater Sydney Commission was to facilitate Sydney-wide strategic planning, Sydney-wide land use planning, Sydney-wide metropolitan-scale planning, then that would affect the role of local government and that would influence what you think about the scale and size of local government. I am just trying to draw those two things together to say they depend a bit on each other.

CHAIR: Are you saying that the roles would need to be very well defined so as not to clash and also so as not to result in more red tape?

Associate Professor RYAN: Yes, that is right. If the Greater Sydney Commission was going to take over some of the substantial functions in terms of planning, strategic planning and land use planning, then there would be a question about what would be the rationale for consolidating local government. It is the role and function question that I think is important. So we have that debate going on on one side and we have the local government reform debate going on on the other. It is my view that it would be useful to bring those two things together.

Mr DAVID SHOEBRIDGE: Really we should not be jumping ahead to reshaping local government in metropolitan Sydney until we have some of those answers, should we?

Associate Professor RYAN: That would be my view. At the very least they should be discussed and considered together. At the moment we have two separate debates.

Mr DAVID SHOEBRIDGE: Professor Sansom has asked: What is the rush? Do you agree with that?

Associate Professor RYAN: Yes, I do.

Mr DAVID SHOEBRIDGE: I know you say that you have not looked at the finances but, from a social research angle, have you looked at what some of the costs of amalgamations may be to the community and the upheaval that amalgamations cause? Have you looked at that from a social perspective?

Associate Professor RYAN: No, not in terms of research. As I said, we are doing focus groups at the moment and having those kind of discussions. But, no, not systematically.

Mr DAVID SHOEBRIDGE: But you can say with your academic hat on that if we go through this process, shake up all of local government, and come up with bigger councils and fundamental changes to what

local governments do and then, after that, go and work out what we want local councils to do, then that is almost the epitome of bad planning, isn't it?

Associate Professor RYAN: Yes, we should be doing all these things at the same time. In my view these are all questions about governance and how, if we are just thinking about Sydney in particular, we best govern Sydney so that we get good city outcomes. We need to be looking at metropolitan governance and local government reform simultaneously.

Mr DAVID SHOEBRIDGE: Given its terms of reference, do you think the Independent Pricing and Regulatory Tribunal [IPART] can do that and come up with effective answers by the end of October?

Associate Professor RYAN: That would not be IPART's skill set, no.

Mr DAVID SHOEBRIDGE: So whatever IPART comes up with about whether or not individual councils are fit for the future is going to be missing that strategic overview that is necessary?

Associate Professor RYAN: Far be it from me to criticise IPART, but that is not its skill set.

Mr DAVID SHOEBRIDGE: I am not asking you to criticise IPART. It has been given a job by government.

Associate Professor RYAN: No, I am just saying that they are different things. They are doing different things. They have been tasked with different tasks. Of course, the land use planning reform processes have been going on for the last 18 months. There has been a lot of work done there with respect to how those changes might occur, and that work is continuing. That is being done by the Department of Planning. Then there is this work here being done in local government. It does raise a question for Sydney—it is not a question for the whole of the State but it is one for Sydney. How do we best govern Sydney given the complexities of a large city—and I will not use the term "global city"—facing significant challenges? We are facing in Sydney some of the worst travel to work times in the world. We are facing some of the most deep-seated spatial inequity in the world. The best way to determine someone's social outcomes these days is to look at their postcode. So management of place in bigger cities has never been more important.

Mr DAVID SHOEBRIDGE: That is not what IPART has been tasked to look at.

Associate Professor RYAN: No, that is not the task.

Mr DAVID SHOEBRIDGE: But that is what any review of local government should be looking at, surely?

Associate Professor RYAN: Yes, that would be my view.

Mr DAVID SHOEBRIDGE: It is kind of like IPART is the equivalent of "Deep Thought". It has been asked about life, the universe and local government and it is probably going to come up with an answer of 42. That is about right, isn't it?

Associate Professor RYAN: I am not sure what IPART is going to come up with.

Mr DAVID SHOEBRIDGE: It will probably be less than 42—almost certainly.

Associate Professor RYAN: Indeed, if we are talking about Sydney. Perhaps it goes to the question of strategic capacity, which was very prominent in the discussions of the independent review. I think there have been more discussions since. Financial capacity is only one element of strategic capacity. I would be suggesting that there are a whole lot of dimensions—scale and capacities more than financial, following on from Mr Shoebridge's point.

Mr DAVID SHOEBRIDGE: One of the things that you said—and I do not want to put words in your mouth—was that forced amalgamations will inevitably produce a worse outcome than voluntary amalgamations, is that right?

Associate Professor RYAN: No, I said the process is better if the amalgamations are voluntary and the outcomes are better when the process is voluntary.

Mr DAVID SHOEBRIDGE: Professor Sansom made a series of recommendations about having a more robust Boundaries Commission process, ensuring that it is democratic and ensuring that the Minister cannot override the recommendations of that as, if you like, an essential starting point. Do you agree with Professor Sansom?

Associate Professor RYAN: Yes, I do indeed.

Mr DAVID SHOEBRIDGE: Have you heard any articulation from the Government of why it rejects Professor Sansom's recommendations?

Associate Professor RYAN: No, I have not.

Mr DAVID SHOEBRIDGE: Do you think the Government should be following the recommendations of Professor Sansom?

Associate Professor RYAN: Yes, I do.

Mr DAVID SHOEBRIDGE: Do you think not doing that is prejudicing the reform agenda?

Associate Professor RYAN: I think the more broadly based the reform agenda can be the better it will be. I think overly focusing on the financial elements is not helpful. I think we do need the broader framework of metropolitan governance and strategic capacity defined broadly.

Mr DAVID SHOEBRIDGE: You said one of the key things that people value about local government is having access to councillors?

Associate Professor RYAN: Yes, it is.

Mr DAVID SHOEBRIDGE: So it is about having access to the decision-makers?

Associate Professor RYAN: It is.

Mr DAVID SHOEBRIDGE: If you have a council with 300,000, 400,000 or 500,000 residents and a dozen councillors then almost by definition you are diluting that access, aren't you?

Associate Professor RYAN: This goes to the issue of how local governments function. I think it is difficult to say that, for example, people in Blacktown feel that they are less democratically represented than people in a smaller inner-city council area. I should not name councils—I always get into trouble no matter which one it is. Forget I said Blacktown—Blacktown is the biggest and that is why I used it as an example. Let us take Brisbane City Council as an example, and then I will not get into so much trouble in New South Wales. I do not think people in Brisbane feel like they are less represented than people in a smaller council area.

There are lots of ways to ensure that communities have access and input into decision-making and that councils can act in strategic ways. It goes to one of the elements of strategic capacity that I think is really important—which is what you might call community governance or the way councils engage effectively. Large councils can be very engaged with their communities and can have very good input with a very good two-way process. So it is a bit about how you do it.

Mr DAVID SHOEBRIDGE: It is not just about the size of the council; we also need to look at some of the governance models from councils in the United Kingdom. Can you tell us about the number of councillors on some of the London metropolitan councils in particular?

Associate Professor RYAN: I cannot do it precisely but some do have a large number of councillors—

Mr DAVID SHOEBRIDGE: When you say large, how many councillors are we talking about?

Associate Professor RYAN: It would be 20 or 30 in the models you are thinking about. You can have a large number of councillors who can be representative of people across particular interest areas—so it might be the transport portfolio, for example—or across particular spatial areas. So there are lots of different ways in which you can organise the representativeness of a spatial area. You can have community boards, local boards or precincts—there is a whole set of discussions about what is more effective around those approaches. So you can have a large council in terms of the number of people or even the geography and have a whole range of governance and community governance approaches that ensure people can effectively involve themselves.

Mr DAVID SHOEBRIDGE: But before we went down the road of having bigger and bigger councils we would want to have those answers up-front, wouldn't we?

Associate Professor RYAN: Yes, there is a great deal that you can do to have policies strengthening capacity and demonstrating good practice approaches around those questions. And we have a lot of good work already happening in New South Wales.

Mr DAVID SHOEBRIDGE: But as to the Government's position, do you know what the Government's proposed democratic model is for merged councils?

Associate Professor RYAN: I do not.

Mr DAVID SHOEBRIDGE: Surely residents, academics, we should be having these answers upfront. Not doing that means we are rushing into a black hole, does it not?

Associate Professor RYAN: There is a lot we can do across that breadth of strategic capacity. The Sansom review identified a whole lot of those things that could be happening and we have ended up focusing pretty strongly on the financial and the amalgamation question and there are 60-plus other things that we could be getting on with.

Mr DAVID SHOEBRIDGE: Because they are the much more important things for local government?

Associate Professor RYAN: They are important, absolutely, and other things as well.

The Hon. ROBERT BORSAK: Have you done much work in the area of regional employment by local governments?

Associate Professor RYAN: Yes, we have.

The Hon. ROBERT BORSAK: Could you talk about that? How important is local government to rural and regional employment?

Associate Professor RYAN: Very important. Just to give you the national picture and then put New South Wales into it, there are roughly 565 local governments nationally. Local government is the biggest employer in 60 of those local governments nationally and it is the biggest or second biggest in 100 of those local governments, so local government is a significant employer. The importance of local government as an employer is more valuable perhaps than other types of employment generators out of non-metropolitan areas because of the range of skills that are employed by people in local government. It goes from everyone.

The Hon. ROBERT BORSAK: It gets to everything from plumbing—

Associate Professor RYAN: To professionals, administrators; it is a very broad range of employment. So one of the issues to consider around what happens if you make fewer local governments is the impact on employment, particularly in the non-metropolitan areas. Again I have these numbers that I can provide, but of the public sector workforce in New South Wales—this is just New South Wales; those numbers I was talking about were nationally—the Commonwealth employs 23 per cent, the State 66 per cent and local government 10 per cent in New South Wales. It is similar across other areas. The impact of amalgamations on the local government workforce—again I have some data looking at Queensland and Victoria in terms of those and it is a mixed picture and it partly depends on how it has been done but in Queensland over time there are many regional areas where there have been losses of significant employment.

Mr DAVID SHOEBRIDGE: And the Northern Territory has a similar experience?

Associate Professor RYAN: They did.

Mr DAVID SHOEBRIDGE: Quite catastrophic in some parts?

Associate Professor RYAN: In some parts, that is right. The other thing about employment in local government in terms of the diversity employment outcomes that we have in the Australian public sector, local government employs more Aboriginal and Torres Strait Islander people than other levels of government. The impact on the Northern Territory was devastating for employment of Aboriginal and Torres Strait Islander people. The other thing to say about employment in local government and the capacity is that local government needs to invest much more in capacity building and training compared to other levels of government. They invest a pretty low amount in that and that again has been part of the discussions and part of the recommendations of the review. To build strategic capacity you need to invest a whole lot more. The Australian public sector, the Commonwealth public service, invests millions of dollars in the capacity of its workforce. We do not have the same vehicle for investment in capacity for the local government workforce and we need to do that. They are a significant employer and they are a very important level of government.

CHAIR: One of the quotes we have heard regularly in the media is that local government is losing up to \$1 million a day. What do you propose is the solution for one-third being said to be financially unsustainable?

Associate Professor RYAN: I am not really in a position to discuss the financial—

CHAIR: I just want to expand it a little bit. Given the fact that the State is ultimately responsible for the arm of local government, do you have a view on whether it should intercept in the name of financial accountability, service provision and accessibility? Do you think it would be reasonable that the State Government would intercept in those situations on behalf of ratepayers?

Associate Professor RYAN: I think this is a tricky discussion. I am not in a good position to make commentary on the financial sustainability of local government. There are others who are much more expert than me in this area. My view is that, yes, the State Government is responsible for local government and one of the outcomes of the reform process might be some constitutional recognition of local government and further embedding of local government as an independent arm of government. I think people would welcome that. There are substantial accountability processes already in place for local government and performance reporting. That already occurs. I am not aware of arguments where people are concerned about the lack of transparency or accountability around local government but I do think there is a strong argument for enhancing strategic capacity and that the State Government would do well to be very active in that space and encouraging local government down that path.

The Hon. BEN FRANKLIN: Thank you so much for coming today. Can I start with some of the issues around the research? You say you are doing some qualitative work, which I think is fantastic.

Associate Professor RYAN: Yes.

The Hon. BEN FRANKLIN: I am wondering, first, when it is likely to be done and, second, can we have it, please?

Associate Professor RYAN: Yes and yes. You can have it and I am in focus group heaven as we speak. We will expect some reporting on that in about the next six weeks and, of course, yes.

The Hon. BEN FRANKLIN: Excellent, thank you. On the matter that my honourable colleague Mr Borsak referred to, have you actually drilled down into the difference of attitudes, particularly attitudes on place and identity between larger and smaller councils?

Associate Professor RYAN: No, not within metropolitan councils. We have done that in terms of the questions that we asked and we interrogated the data with respect to that. The only differences between that identity question and questions like, "Do you feel you have got the capacity to influence what happens? Do you have access to your local councils?" those kinds of questions, the only differences that occur in the data are between metropolitan and non-metropolitan. There is nothing within the metropolitan areas, so we cannot compare say a smaller metropolitan council and a larger metropolitan council in our data.

The Hon. BEN FRANKLIN: Are your focus groups going to be focused on different geographical areas?

Associate Professor RYAN: Yes.

The Hon. BEN FRANKLIN: Will you be able to make those conclusions?

Associate Professor RYAN: We will be asking questions about that, yes.

The Hon. BEN FRANKLIN: Fantastic. I am just wondering if you have seen the research from Local Government NSW. Mr Shoebridge and I were looking at each other when you were giving your figures. I thought there were some real tensions—

Associate Professor RYAN: Yes, there are differences.

The Hon. BEN FRANKLIN: —in those results. But the results from Local Government NSW seem to be on a different track. There are some different focuses and some different conclusions. I am wondering if you have had a look and if you have any concerns. There have been some suggestions of push polling. I do not know whether that is the case or not but I was wondering if you as an academic—

The Hon. SOPHIE COTSIS: Why didn't you bring it up with them?

Mr DAVID SHOEBRIDGE: You should have asked Local Government NSW.

The Hon. BEN FRANKLIN: You are the expert in this area and I was just interested.

Mr DAVID SHOEBRIDGE: Have you been pushing polling, Professor?

Associate Professor RYAN: You could ask me that question and I would be happy to respond, Mr Shoebridge.

The Hon. BEN FRANKLIN: You are the expert in research, they are not. I was interested in what your views were about their research?

The Hon. SOPHIE COTSIS: You should have told them.

Associate Professor RYAN: Yes. They did employ experts to do the research. I am sure they would not say they were experts but they employ experts to do the research. Their sample sizes, because ours was a national survey, were much greater than ours so in terms of what you call the confidence rating interval, ours is worse than theirs. So in that sense quantitatively their data is stronger than ours. It is about the questions that you ask though and that is why I raised that question about what was the question that was put by Sir Bob Parker. It is about the questions you ask that are going to determine the answers that you get.

I think I said in the beginning that I do think it is important not to overdraw the quantitation of data in this area because the whole debate, both the media debate, the inquiry, all of these issues, help us have a conversation with the community about what they value about local government. People, indeed we all take it for granted because for the most part it is done well. Not everybody is interested in the fine grain arrangements about how services are delivered and so on but when you get people in the room, as we do, and you have those kinds of conversations you are able to distil out what are the principles that people want preserved when there is change or what are the things people want changed.

Whilst we have only started the qualitative work, it is fair to say that that research may show that as long as people can have access to their councillors, as long as they do not have to travel long distances to have access to services, as long as they can influence the kinds of services that they get, as long as their local government advocates for what they want locally, they are the things that will matter to people on the ground.

The Hon. BEN FRANKLIN: Obviously, as you rightly point out, one of the fundamental issues being looked at and being pushed up the list in terms of what people care about is amalgamations and having larger councils. Everybody is talking about bigger is better. I would be interested in your view on whether you feel

there are advantages in having larger councils in a sense of place and identity and a range of other issues that you are concerned with and what do you think they might be?

Associate Professor RYAN: Can I go "on the one hand this and on the other hand that"?

The Hon. BEN FRANKLIN: Yes.

Associate Professor RYAN: With respect to the conversation about strategic capacity, the things that local government does over time—or government you could say—have got more complex. An example I use when I am doing focus groups or talking to the community—it is a bit cheesy in this context—is that once upon a time every local government area wanted to have or did have a local swimming pool and the local swimming pool was a hole in the ground, concrete floors, tin sheds and was probably closed in winter. Now we want aquatic centres and it is great if we can have occasional care, child care, aerobics classes, it is open all year round and it is heated. That is just one example and it is a much bigger thing; it is more complex.

The Hon. BEN FRANKLIN: More expensive.

Associate Professor RYAN: More expensive. It is harder for every local government area to have one of those—and this goes to Mr Shoebridge's earlier question—so there have to be mechanisms for regional cooperation for ways to finance those things and local government does this all the time. Not every area has an aquatic centre, particularly in regional areas. There are regional cooperation arrangements. We do this with libraries routinely. It is a very successful form of regional cooperation, to provide big regional centres, outreach; all of those kinds of arrangements happen across service types. All government does over the last 20 or 30 years is a much more complex business and swimming pools is just one way of expressing that.

So councils need enhanced strategic capacity to deliver those. That does not in and of itself mean they need to be larger in terms of population or size. It does not in and of itself mean that they need to be geographically larger. They need to be able to access skilled professionals, people with high level capability. In many non-metropolitan councils people share town planners and engineers. Some councils have a general manager who acts on behalf of two councils. They preserve the democratically elected representation and they make shared service arrangements or contracting arrangements. There is a myriad of ways in which those things can be addressed.

So on the one hand there is no question that we need the enhanced capacity because of complexity and I think there is no question that we need that with respect to particularly the complexities of running and governing big cities. On the other hand, whether larger councils are the way to achieve that is the source of the argument, I think.

Mr DAVID SHOEBRIDGE: The Government is doing, I think, five pilot projects on joint organisations in regional New South Wales.

Associate Professor RYAN: Yes, that is right.

Mr DAVID SHOEBRIDGE: Do you think some of the answers will come out of the assessment of those pilot projects?

Associate Professor RYAN: I think they are very useful and important pilots, and they are all non-metropolitan. That is an incredibly useful thing to be doing. There is some work already done; some work our centre has done in the past and others have done and in other States and Territories around the value of different kinds of arrangements so that can all feed into that.

Mr DAVID SHOEBRIDGE: Can you provide us with access to that material?

Associate Professor RYAN: I can, absolutely.

The Hon. LOU AMATO: In the discussions with councils from Victoria and Queensland have councils ever wished to turn back the clock to the days before councils were amalgamated?

Associate Professor RYAN: Yes. There is certainly an example in Victoria and there have been two or three in Queensland. I think that goes to the question of the process around how amalgamations are conducted.

Those communities were fearfully opposed through the process. They have continued, obviously, to be opposed and have sought to de-amalgamate. It is a very small percentage of the overall councils. I think it is certainly less than 4 per cent. So, yes, that is why the process of how structural reform occurs is very important because otherwise you will get those kinds of examples where people will undertake a divisive and expensive process of de-amalgamating.

The Hon. LOU AMATO: Okay.

Associate Professor RYAN: But it is a very small proportion of the process. I think that people—this will be a controversial thing to say—look to local government in Victoria as functioning fairly effectively. That has come from a long period of enhanced strategic capacity, quite significant investment, a strong role by the State Government in local government and the outcome of amalgamations that occurred a number of years ago.

The Hon. LOU AMATO: Would you say that council amalgamations were a good thing in Victoria and Queensland, in your opinion?

Associate Professor RYAN: It is hard for me to say in terms of a good thing. As I said, I think local government in Victoria does pretty well. Those amalgamations occurred a number of years ago. In terms of Queensland, it is fairly new and we are looking at the data in terms of what the implications of some of that have been. I have got some data here. Again, I can table here with respect to the impact on rates and with respect to the impacts on employment in terms of the Queensland amalgamations. The picture is mixed.

CHAIR: Time for questions has expired. Associate Professor, thank you for your time and your in-depth knowledge on these matters.

Associate Professor RYAN: It is a great pleasure.

CHAIR: It will be very helpful for us to consider the outcomes of this inquiry.

Associate Professor RYAN: Thank you. Is it best if I email?

CHAIR: You have taken some things on notice.

Associate Professor RYAN: Yes.

CHAIR: You will have 21 days. You can table documents, if you have some of that now.

Associate Professor RYAN: I might email so that I can put it in.

CHAIR: It is up to you, but I am sure that if you have something here—I think the first document you said you had on hand—you can maybe submit that and the rest you can do through email. The secretariat will give you assistance to get that information to us. Thank you for what you do and thank you for your contribution. It will be helpful.

Associate Professor RYAN: It is a great pleasure. Thank you very much.

(The witness withdrew)

GRAHAM SANSOM, Adjunct Professor, University of Technology, Sydney, and part-time consultant and researcher on local government matters; and

JUDITH ROSE MUNRO, Consultant and non-executive board director, affirmed and examined:

CHAIR: Would either of you like to make an opening statement?

Professor SANSOM: I will just make a few comments, Chair, and Ms Munro may wish to add briefly to those. We were sitting listening with great interest to my successor, Roberta Ryan's, comments. I think by and large I would certainly endorse what I heard her say but that was only the second half of her evidence. There are a couple of comments I would like to make just upfront to the Committee. The first one is that in my original written submission to you I failed to mention the very valuable report of standing committee No. 5 back in 2003 on many of these same issues. I re-read that report in preparing for today. I would certainly commend it to the Committee. I think it was a very thorough investigation. There would be very little in that report that I would disagree with. I think we reflected a lot of its findings in the work of the review panel.

The second point I would make is that I am sure the Committee will have lots of people appearing in front of it who will assert with great confidence that some things are right and some things are wrong. We spent 16 to 17 months poring through all the evidence that we could find and we had three rounds of extensive consultation—roundtables with academics, with public servants, with senior council officials and so on. I would have to say that once you have done that, you realise that decisions on these matters, as I think Roberta said, are very complex. In the end, you wind up having to make on-balance judgements. That was one of the reasons why we put so much emphasis—and, again, Professor Ryan made the same comment—on the importance of process. You have to have a process when dealing with these issues that is rigorous and thorough, and you take the time necessary to make the best possible on-balance judgement. But it will be an on-balance judgement.

Anybody who tells you that they have the magic answer, that their modelling is the right modelling and so on, is only telling you part of the story. I would just emphasise that point. For a similar reason our report was a very broad package of proposals and ideas. We did not focus exclusively on amalgamations by any means, although, unfortunately, that is what has grabbed so much of the attention. As I say in the submission, if you actually read our report carefully you will find that the so-called preferred options for mergers affect only 61 of the State's councils. I would say that I think it is unfortunate that we have now had a process since then which has got 144 councils excited when we probably could have dealt with the 61 first up in perhaps a more measured and thorough way. Related to that, we made a lot of recommendations about the context within which any structural reform would need to take place. I listened with interest to the conversation a little while ago about that.

Undoubtedly there are many things that can be done to improve the position and functioning of local government in New South Wales apart from amalgamations. I think we made it very clear in our report that a number of those things need to be done before or in conjunction with any move for mergers. It is unfortunate that there is in fact, as we sit here today, an outstanding agenda of contextual changes and reforms. We will not know the answer to the Government's deliberations on those matters until, on current indications, after IPART reports and perhaps not before the Government announces some decisions based on the IPART report. Those are just a few key framework issues I would like to raise. Ms Munro may wish to add to those.

Ms MUNRO: Only to say I fully support Professor Sansom's comments. It was a great pleasure and delight to be in New South Wales for those 17 months and getting to know New South Wales more intimately than otherwise would be the case. I come as a former local government practitioner and also having experience in two reform processes as well as having been a chief executive officer [CEO] of the largest local government authority in Australia but also of smaller ones—the city of Adelaide covered a population of 15,000 people but it was a capital city council and St Kilda covered 45,000 people—so it was all experience in metropolitan Australian councils.

I consider myself a passionate lover of communities and cities and local government. My concluding remarks in my submission was my concern that the New South Wales system of local government is slipping backwards comparatively to some other States in Australia. I am not necessarily a proponent of large councils, despite being there as the CEO for 10 years of the Brisbane City Council, but I do put myself forward as being able to answer questions that may be relevant in relation to larger councils. I would reinforce Graham Sansom's comments that there was a package of reform initiatives that the panel put forward. Really they need to be not

necessarily taken as a whole, but when you look at them as a whole they would address a number of issues that really are standout issues to do with the finances, to do with capital raising and access to loans. I mean with that asset management; infrastructure deficits—particularly the road deficits in New South Wales where they are classed as D level by the Institute of Engineers Australia; the governance questions, where there is the merry-go-round, as I will call it, of mayors on an annual basis instead of having people who have longevity in the job of between two to four years but more longevity than the annual merry-go-round.

The former witness was talking about Victoria. The Victorian local government system is really one of the best, I think, in Australia. However, it also suffers from only having, apart from the Lord Mayor of Melbourne and the Mayor of Greater Geelong councils, annually elected mayors. It was one of the major points that we made in relation to governance. So much effort and concentration of mind has been on the amalgamation question but, really, it was but one aspect of structure that we were addressing. We were addressing a lot more than that.

CHAIR: Professor, do you think, in your view, the Fit for the Future reform agenda is too heavily weighted on financial sustainability?

Professor SANSOM: It is not too heavily weighted on financial sustainability. As Ms Munro has just said, the financial underpinnings of local government in New South Wales do need attention. We have a lot to say in our report about that. I think the concern that has been generated is around the fact that the Fit for the Future package, apart from the general phrase "scale and capacity", then used a series of purely financial indicators to measure the other criteria that the Government set out. I think it is unfortunate that so much debate has focused on those criteria, which clearly cannot provide of themselves a rounded picture that reflects the kinds of issues that Ms Munro has just outlined. I do not think it was intentional, but the Fit for the Future package has steered the debate in a somewhat unproductive direction because of that.

CHAIR: It seems that the councils in group 5 particularly, many of them have made their submissions on Fit for the Future, but they are heavily weighted on special rate variations. Obviously, if you can prop up those percentages of rate returns, you can become potentially sustainable.

Mr DAVID SHOEBRIDGE: Or you sell assets or redo your depreciation.

CHAIR: That is right. We heard earlier that depreciation is quite elastic, based on who is doing your accounting. I think that is a paraphrase of the matter. If financial sustainability is not the major weighting, where does that leave councils that, for instance, are financially healthy but that may be services poor in terms of the services they provide or in asset maintenance?

Professor SANSOM: As Professor Ryan was saying earlier, this is where it gets complicated and you wind up having to make on-balance judgements based on a very broad range of factors. As you say, if a council maximises its revenue and minimises its service delivery, it can come up looking very good on a series of financial numbers. But what does that mean for the quality of services its communities are receiving? You have to factor in the issue of service levels and quality of service to the situation. Being financially sustainable is obviously a vital underpinning for local government—indeed, for any government, and State governments are probably in greater difficulty in many respects at the moment across Australia than local governments are. Financial sustainability is the essential underpinning, but then it is a question of how to use your financial sustainability. Are you delivering the services that community needs, are you addressing your infrastructure requirements and so on and so forth? That is where you make an on-balance judgement at the end of the day.

CHAIR: In your clarification to your submission, submission 132A, you say:

The Government's "Fit for the Future" (FFTF) agenda adopts to varying degrees many of the measures proposed in the ILGRP report. However, there are some significant departures.

Please clarify what departures you are talking about and why you made that statement.

Professor SANSOM: There were a couple of reasons why I said that. One is that, to be quite blunt—

CHAIR: Please do.

Professor SANSOM: —there has been a fair bit of misunderstanding and misrepresentation around what the panel actually said and a lot of the misunderstanding part of that flows from the fact that people

confuse it with the Fit for the Future agenda. I mentioned earlier, as one example of that, our preferred options for mergers affected far fewer councils than have since been required to put in their Fit for the Future statements; that is the one area. The second area, which was again mentioned when you were talking to Professor Ryan, is the process around addressing amalgamation proposals. We were very clear that the current process has some serious flaws. The current process is the one that was used back in 2004 and all our research indicated that the 2004 amalgamations did not go well. That was partly the way the legislative provisions were used and partly because of the way the legislation is currently written. That was a very important issue that we raised. But, as you have heard, unfortunately the Government decided not to accept our recommendation on that and talked instead about perhaps streamlining the boundaries commission process, which fills me with concerns, I must say.

There is a third very important issue related to regional collaboration and organisations. We actually took the view that outside of metropolitan Sydney, regional cooperation—if it was properly structured, and we said that had to be mandatory based on past history—could in many cases offer an alternative to mergers, particularly in rural and regional areas where, as you have said, often distance becomes a very important factor and where people have a very close association with their local council and want to maintain it. But it has to be really tightly structured regional collaboration. There have been too many examples in the past where voluntary collaboration has fallen apart after a few years or does not do as much as needs to be done. Again, unfortunately whilst the Government has proceeded with those joint organisation pilots, upfront it ruled out requiring the pilots to look at some of the critical aspects around resource sharing, shared services and so on that we enumerated in our report.

The Hon. PETER PRIMROSE: A few moments ago you mentioned that Government suggested that it will streamline the boundaries commission process and that fills you with concern. Please elaborate.

Professor SANSOM: As I was saying earlier, complex on-balance judgements need to be made, there is no one size fits all and there is no simplistic bigger is better. We never said any of those things. You need a process which is going to rigorously review the circumstances of the case. We were able, with our research, to identify what we called preferred options and we had a degree of confidence that we had got those more or less right, but that is not to say that they do not need further rigorous scrutiny. If you want to streamline the current arrangements, there are really only two ways in which you can streamline them. One is to reduce the time and rigour with which the boundaries commission or the director general, as the case maybe, undertakes their examination of the facts. The other is to reduce the amount of community consultation you undertake, whether it be through an inquiry, a survey, a poll or whatever. My view—and Jude can comment on this—is that it is essential that you maximise the degree of scrutiny and that you maximise the degree of community consultation. That is why I have concerns when I see the phrase "streamline" in this context.

The Hon. PETER PRIMROSE: Ms Munro, would you like to comment?

Ms MUNRO: I will not add further comment. I agree.

The Hon. PETER PRIMROSE: On page 17 of your submission you have elaborated your concerns about the focus on financial sustainability. A lot of the argument we have heard from the Minister boils down to his comment that local government in New South Wales is losing one million dollars a day and therefore we need to reduce the number of councils. Please comment on where that figure may have come from, because we have asked a couple of witnesses. What is your comment on that being a criterion?

Professor SANSOM: I do not know precisely where it comes from. My understanding, from press reports—and, like everybody else, that is what I have to go on these days—

The Hon. PETER PRIMROSE: They are all we have, as well.

Professor SANSOM: —is that it was looking at the overall reported financial results and most councils in New South Wales continue to work with an annual operating deficit. I think it probably comes from aggregating the operating deficits and dividing those by the number of days in the year—I am assuming that that is the way. As I said earlier, getting the finances right, getting councils to a break even operating position over time, in the same way that we want Federal and State budgets to show balance over time, is vitally important. I refer the Committee to a report we commissioned towards the end of our work by Mr John Comrie, who somewhat controversially is now part of the IPART review and is someone we hold in extremely high regard.

John wrote for us what is called the "Roadmap to Financial Sustainability for Local Governments in New South Wales". It is a short report but I think it covers all of the issues extremely well.

Ms MUNRO: If I could add to that, when we worked on the panel we looked at the finances for local government as a whole plus the task that they had to do. We could see, for instance, there could be rolling capital works programs. So if you were looking at a wooden bridges replacement program across the whole of New South Wales you would look at a coordinated approach to that working with the appropriate State government department of roads, however it is configured, on a regional basis. We saw the regions in rural and regional New South Wales, with regional capitals being at the heart of dealing with the big regional issues like major capital works. We saw with the grants programs how is it possible that basically rich metropolitan areas could be achieving Commonwealth grants when rural, regional and remote New South Wales was missing out in a disproportionate way? How is it possible that that could be the case? Simply a reconfiguring of the grants programs would achieve a better outcome and increase financial sustainability.

We had a unanimous view on the issue of rate pegging, but I have to say that that followed some very vigorous debate internally within the panel. I personally believe—and it is a technical term—that New South Wales local government has been knackered by the decisions made back in 1976. The notion of a strong local government system has been really undermined by a rate-pegging decision, but I think we worked through a way of suggesting how that could be streamlined in order to come up with a better approach to that aspect. Then we looked at other source incomes such as charges and other mechanisms. There is a way forward on much of this and really the day needs to be seized in relation to financial sustainability for local government.

The Hon. ERNEST WONG: Dr Sansom went through his concerns with the process. Please elaborate on your answer in regard to the process for the Fit for the Future template which councils fill in to determine whether or not they are sustainable rather than going through a thorough process where the council could do their own assessments of their financial situations. There is also the prospect of being punished by requests from the community and how those are worked through. Also, we only have two months for IPART to go through the process of determining where all councils stand. What do you think is the best process to actualise this serious question that all residents of New South Wales are concerned about?

Professor SANSOM: There is nothing at all wrong with the Government asking councils to review their situation and complete the templates and make a submission. There is also nothing wrong with then getting IPART to review those submissions. Whether IPART has enough time, you would have to ask Peter Boxall whether they think they have enough time to do the job that is in front of them. The concern that I was raising earlier with regards to that aspect of the process was that IPART is making its assessments in a situation where a lot of the broader contextual reforms that we as a panel proposed have yet to be followed through.

To give a simple example, we proposed and the Government adopted the recommendation that through the Treasury Corporation councils have access to lower interest loans, which will save the sector hundreds of millions of dollars over a period of years. We found councils were paying at least 2 or 3 per cent more, typically, for borrowings than they should be and the Treasury Corporation advice confirmed that to us. That is obviously going to make a big difference to the financial position of a number of councils. The Government, I think, adopted our recommendation in principle, or words to that effect, but we have yet to see that new system come into effect and we do not know precisely how it is going to work. If I were in the position of the Independent Pricing and Regulatory Tribunal I would want answers to those sorts of questions so that I could factor those answers into the judgements I make about how any particular council is going to track. That is the thing that at the moment concerns me about the process.

The other issue which we simply again do not know is the one we were talking about a minute ago. Obviously the Government was not happy with what we put forward by way of amendments to the Boundaries Commission's structure and method of operation and so on. We do not know what is going to happen once the IPART reports to the Government. As far as I understand, we do not know whether the IPART is simply going to give the Government a list saying "these councils are fit for the future and these councils are not" or whether IPART is then going to go on and say, for the ones that are not, "We think what you should do Minister is this, this and this." That is an unknown as far as I understand it.

The other thing we do not know is whether any subsequent amalgamation proposals that the Minister might make will be run through the existing legislation, which we found to be inadequate, or whether the Government will come to the Parliament with some amendments to the legislation. There are these major

unknowns in the process. What is more my concern than the fact that it is essentially deficient is "Can we please get some more detail on where things are going to track?"

The Hon. ERNEST WONG: The template actually dictates on the perimeter of how the IPART is going to assess the sustainability of the council. What you suggest in regard to all these other impacts, do you agree with me when I say that probably they will not go down that path to look into every single issue of the council?

Professor SANSOM: I just do not know. I simply do not know the answer to that question. What I can say to you is that the criteria which the IPART has been given and the proposed methodology that it has put forward, I think, in all the circumstances is basically sound but limited by the Government's criteria. What we do know is that if and when these matters were taken forward under the current amalgamation provisions of the Act, a broader range of criteria would come into effect. I am sure the IPART will do the best possible job given the terms of reference and criteria that it has but the question is: Will that be adequate in terms of the broader criteria of the current legislation if and when we get down the track to some actual amalgamation proposals?

Mr DAVID SHOEBRIDGE: What is your answer to that question?

Professor SANSOM: The answer is I don't know but quite clearly we as a panel favoured a broader set of criteria.

Ms MUNRO: Additionally, we were keen to see a system put in place that would build the financial knowledge and capacity and capability within local government at a chief financial officer level but also amongst councillors through something like every three years there being an assessment, not just a one-off, by the IPART but, in fact, a regular way of getting councils up to speed with what is their actual financial capability and capacity. That is really addressing a system of local government, a systemising putting into the regular cycles and understanding of the financial capability and capacity of each council.

The Hon. ERNEST WONG: Has the relationship between State government and local government ever been a topic that has been discussed throughout your research?

Ms MUNRO: All the time.

The Hon. ERNEST WONG: I am happy if you will provide me with that kind of discussion.

Professor SANSOM: It came up constantly. I have been on the public record in the past saying that New South Wales, relative to most other States, has had a pretty unproductive State-local relationship. We devoted a section of our report to a series of proposals for improving the relationship. I have not been in this loop for the past 12 or 18 months but when we were doing our work there were some promising signs and some opportunities for improvement, but I fear those opportunities may not have been taken up.

Ms MUNRO: They were at statewide level and also at regional level that we felt that there was a capacity to make those improvements.

Mr DAVID SHOEBRIDGE: Your preferred options for amalgamation, particularly in the Sydney metropolitan region, have created quite a stir, as I am sure you are aware.

Professor SANSOM: Yes.

Mr DAVID SHOEBRIDGE: At all times you have said that is not the answer, that is just something that needs to be looked at. You have suggested that a far more thorough and rigorous process needs to go from here on in to test those preferred options. Is that right?

Professor SANSOM: That is right. As I said earlier, as I think you were aware, at the time we did a lot of work on the metropolitan area. We commissioned specific research on issues of metropolitan planning and governance and we held numerous discussions. Two points I would like to make about what we said regarding metropolitan Sydney is, first, our preferred options in metropolitan Sydney impacted, I think, only about 60 per cent of the metropolitan population. We recognised that there were already a significant number of Sydney councils that had the required strategic capacity, as you were talking about earlier, to make a major contribution to metropolitan planning and management and governance.

Our proposals were focussed on those areas where we felt strategic capacity was limited. The other comment which I think is very important to make is that our proposals in metropolitan Sydney were not based on financial sustainability questions. We made that very clear in our report. We spelt out the objectives we were trying to achieve and a lot of the debate that has gone on since has been councils saying "But we are financially sustainable" and my response to that would be "You may well be but that is not the point."

Mr DAVID SHOEBRIDGE: The problem has been the Minister running around and saying councils are losing a million dollars a day and that is why we need to merge all metropolitan councils and that is misstating your report and recommendations?

Professor SANSOM: Well, it is not what we said.

Mr DAVID SHOEBRIDGE: You have said before where we have amalgamations, to use your words, there should be full community consultation, essentially the current provisions but with much better impartial explanation of the proposals and their implications. Could you have carried out that full community consultation with the resources and the time you had at hand? Do you pretend to have done that?

Professor SANSOM: No.

Ms MUNRO: No.

Mr DAVID SHOEBRIDGE: If we are going to have an honest conversation about amalgamations which will then have robust outcomes and lead to positive reform, full community consultation is, if you like, a pillar, is it not?

Professor SANSOM: Absolutely. The issue there though I think comes back to the process. I think it is unfortunate that we have had a lot of community consultation, for want of a better word, in the context of the Fit for the Future submissions—

Mr DAVID SHOEBRIDGE: Councils have been forced to do that. They have had things put before them and have had to respond to them.

Professor SANSOM: I accept that councils have done what they had to do. But I think the problem is that rather than a properly structured independently handled process of consultation that is designed to test certain proposals, we basically had an atmosphere of uncertainty, anxiety and we have community consultations by councils with their communities occurring in a vacuum in the sense that the longer term policy framework is not yet clear.

Mr DAVID SHOEBRIDGE: One of the most obvious answers that we would need, I assume, before you remake Sydney's councils, is what will be the role of the Greater Sydney Commission? Professor Ryan made it quite clear that that is really something that should be answered upfront.

Ms MUNRO: I would like to address that. I think the integration of planning is crucial. I was on the taskforce looking into strategic planning of cities across Australia. It was clear that it was mostly woeful across Australia. So there was a lack of integration horizontally and vertically and outcomes were poor. The problem with just thinking about a metropolitan planning commission is it often will be just focussed on land use and will not, in fact, be thinking about economic development, transport and a range of other matters. What we were talking about in relation to strategic capacity of larger units of local government in Sydney was that it would be easier to have a partnership between local government and the State Government in terms of not only planning but also thinking through the large infrastructure projects, the questions of where should public transport be, how it should be figured—

Professor SANSOM: Social issues.

Ms MUNRO: Social issues, the handling of ice, the dislocation in communities in relation to multicultural matters, homelessness, all of these big social issues but big economic issues and the rest of it. I believe local government ought to be part of those discussions. The way the people think about metropolitan planning commissions is mainly land use but, in fact, strategic planning ought to be integrating a range of bigger facets than that.

Mr DAVID SHOEBRIDGE: Some people have criticised that kind of analysis that you have just given about how local government should plug into the State Government planning on a city-wide basis as only looking at one half of the necessary criteria because the other, indeed many people say more important, is how local communities and local residents plug into local governments. Do you accept that you might have a lovely efficient communication between the State Government and one or two local councils but you run the risk of missing out on that essential pillar of local government, which is the connection between residents and local government?

Ms MUNRO: I agree with your comments. They are the third most critical component. But in our report we made comment, and certainly in our discussions we made comment, that often we think of residents as only being residents but they are also shoppers, workers, students and visitors. In fact, we think of individual councils as islands as opposed to islands within metropolitan areas and people need to move around and that there needed to be a full discussion. We get too much nimbyism because people are focussed on what impact will certain proposals, for instance, have in relation to residents without thinking that those same residents will also be commuters and will be taking advantage of public transport or other road infrastructure and their interests also need to be brought to the table in terms of the thinking. The thinking is often constrained by lack of strategic capability and capacity within councils.

The Hon. ROBERT BORSAK: Do you agree that far too much emphasis on discussions around amalgamations is placed on the financial side of things?

Professor SANSOM: In metropolitan Sydney that is not the issue for making decisions about amalgamations. As I think the Chair indicated earlier, any Sydney metropolitan council that is working its rating base reasonably hard can meet the financial criteria.

Ms MUNRO: To be clear about that in Queensland, say in metropolitan Brisbane, effectively there are five or six major local government areas—Brisbane, Redlands, Logan, Ipswich and Moreton Bay. Really, if the Premier wants to have a discussion about issues, they are not meeting with 32, 50 or 17 or larger numbers. Those mayors are able to talk with some depth and knowledge about the really critical issues that are affecting those communities.

The Hon. ROBERT BORSAK: In the 2013 report you talk about "local government is the government of communities and places".

Professor SANSOM: Yes.

The Hon. ROBERT BORSAK: I think it is true to say that this current process that we are going through is certainly not engaging that at all, especially as it relates to Sydney.

Professor SANSOM: I would not go that far, but certainly—

The Hon. ROBERT BORSAK: I have to.

Professor SANSOM: Certainly, there is a need to get back to that issue in more detail. I accept also Mr Shoebridge's point about the need to ensure that we have a structure of government that adequately responds to the needs of communities and the needs of places.

Mr DAVID SHOEBRIDGE: And not just the Premier.

Professor SANSOM: And not just the Premier, no. Local government has to do the job as government in its own right, not just be an agent of the State or the Commonwealth. But the issue again comes back to what I said earlier. It is a matter of looking at the balance. What we tried to do with our proposals for Sydney was to come up with a framework within which there would continue to be adequate representation of communities and adequate attention to issues of place, on the basis that—again, I think as Professor Ryan said to you—there is a range of mechanisms that you can use within a larger local government area to address the needs of the different parts of that area. Let us take the City of Sydney. The City of Sydney is tracking up to a population of 300,000. The lord mayor describes it as the city of villages and the city council puts a lot of effort into looking after the different places within the city, and by all accounts is doing a good job.

Mr DAVID SHOEBRIDGE: And probably should not be merged.

Professor SANSOM: I suggest to you that what the city has demonstrated is that you can achieve these goals while operating within a larger scale. First of all, we cannot go back. Sydney will have a lot of large-in-population councils based on the current boundaries. What we will have, based on the current boundaries, is 10 or 15 very large councils and 25 or so, by metropolitan standards, quite small ones. I am sure it is very nice—and I will name a name. If you live in Mosman or Woollahra and you have a nice close relationship with your council and it is keeping the rates down and it is providing what you need, that is very nice. But we have to ask questions about equity. Are we saying that a different standard of local democracy is acceptable in Blacktown—

Mr DAVID SHOEBRIDGE: So you should degrade the level of local government in those areas? Are you saying that you should be consciously bringing it down in order to get an equitable outcome?

Professor SANSOM: I am not saying that at all. What I am saying is—

The Hon. ROBERT BORSAK: Speaking as a resident of Woollahra.

Mr DAVID SHOEBRIDGE: And a former councillor.

Professor SANSOM: What I am saying is that if we can achieve good results in large units, which has been shown in Queensland and places like Blacktown, again as Professor Ryan said to you, there has been no outpouring of concern.

Mr DAVID SHOEBRIDGE: It has not been shown in Queensland. There is no study on that.

CHAIR: Order! Through the Chair, Professor, and do not listen to that interruption.

Professor SANSOM: All I am saying is that we need to explore the range of mechanisms available so that we can make that on-balance assessment. That is what we have tried to do. But I repeat and agree with Mr Shoebridge that it requires further close examination.

The Hon. NATASHA MACLAREN-JONES: I have a couple of questions relating to the consultation process that the panel undertook during the review. For the record, can you outline the consultation with councils and with the community?

Professor SANSOM: First of all, we did the usual things. We put out discussion papers and invited submissions, and I think in the end we received more than 1,000 submissions. So that is point one. Point two is that we did two pretty comprehensive tours around the State and held meetings with councils and communities; I have lost count but it was between 15 and 20 different locations around the State. Thirdly, on specific difficult issues, we invited people to attend roundtable discussions. That is what we did.

The Hon. NATASHA MACLAREN-JONES: What messages were you getting from councils and communities?

Professor SANSOM: On the whole, I thought we got pretty positive messages. Certainly, there were some places we went—I had one particular meeting on the northern beaches—

The Hon. SOPHIE COTSIS: Warringah.

Professor SANSOM: Correct. I was told "hands off" a certain council in no uncertain terms.

Mr DAVID SHOEBRIDGE: Those good people in Pittwater.

Professor SANSOM: You may well say that. There were some places we went to where feelings were very strong. But, equally, lots of places we went to, people were saying "Yes, we understand that we need to think about change". I am not saying there was agreement on a particular direction of change. I think there was very broad agreement on those contextual changes we talked about earlier—

Ms MUNRO: Very much so.

Professor SANSOM: —the financial stuff, the infrastructure stuff, regional cooperation and so on. Those things we listed in what we called I think an interim package towards the end of our report because we felt we had received a broad consensus view in favour of taking those measures. On the amalgamations issue, inevitably it was all over the place in terms of responses.

Ms MUNRO: I think people who come to town hall meetings often have very strong views already well developed. Usually what you do is use a range of other mechanisms. Some of those were not at our disposal. We did use some market research but some of that was more limited than what I think we would have liked to have been able to use.

The Hon. NATASHA MACLAREN-JONES: Are you confident that there was adequate consultation across the State?

Ms MUNRO: For the purposes of coming to the broad views that we did, yes. But we certainly made it clear that in relation to amalgamations there would need to be much more detailed consultation with the community.

Mr DAVID SHOEBRIDGE: That is not what IPART is doing. You did not recommend the IPART process.

Professor SANSOM: No.

The Hon. LOU AMATO: What are the consequences for Sydney if structural reform does not happen?

Professor SANSOM: As you were discussing with Professor Ryan, there are so many factors that come into play, and I do not have a crystal ball, I am afraid. I will answer by saying that I think in the first instance—this is very important for communities—there are likely to be some significant consequences for local government. I know it has been put to you in other evidence that the fact that there will be a Greater Sydney Commission means that you do not need to look at local government restructuring because the issues will be taken care of, and Ms Munro has already commented on that.

Mr DAVID SHOEBRIDGE: That was not Professor Ryan's evidence.

Professor SANSOM: No, it was not Professor Ryan's evidence. It was other written evidence that I have seen. I have had a concern for a long time that local government needs to make a decision as to whether it wants to be an important part of the system of government, whether it wants to be listened to, whether it wants to command the level of resources that will enable it to be more influential. In the Queensland example which Ms Munro has given you, undoubtedly the councils in south-east Queensland and a lot of the regional councils in Queensland command a level of resources and expertise which gives them a lot of clout. When local government achieves that degree of status and influence, that is to the benefit of the communities that it represents and serves because it means their council is better able to express their concerns and interests to State and Federal governments.

If I was a councillor or a mayor in Sydney I would be thinking very hard about what is likely to be the future status of local government in dealing with the governance of metropolitan Sydney. If local government remains unchanged, if the State Government establishes a Greater Sydney Commission, which will be essentially an arm of the State Government, and if we see a continuation of recent history of reducing local council planning powers, establishing special agencies to do particular jobs on behalf of the State and so on, all of which are quite legitimate things for the State Government to do, they are things that weaken in the long run the status of local government and therefore its capacity to represent the interests of its communities. It is all very well to be very pure and have nice small local councils where everybody knows everybody else and so on, but the question is: Is that the best way of making sure that community interests are reflected in the big picture decisions about the future of Sydney?

CHAIR: And that is a question for you.

Professor SANSOM: I would say no, it is not the best way.

CHAIR: Can I clarify that simply? Are you saying that a Greater Sydney Commission is not good if local government is playing its role effectively? Obviously that would probably be true, but do you see a need for higher level planning for a global city?

Ms MUNRO: It is critical that there is an integrated approach for metropolitan Sydney.

CHAIR: So there is a role for a Greater Sydney Commission to play.

Ms MUNRO: It depends on the roles and responsibilities of such a body. My argument would be that it must involve transport and social, environmental and economic development, not purely land use planning. That would be a major point that I would make. A second point in relation to the future of Sydney is that stronger units of local government, however you define "stronger units of local government", mean that there is a capacity to address some of the significant issues that are being faced at a local level. I have an association with Logan City Council, which is one of the poor and disadvantaged parts of metropolitan Brisbane. It has a population of 350,000.

They have been able, through their council working with the State and Federal governments and the community, to run a leadership process which now has two initiatives. One initiative is integrated community education and health services for nought to eight-year-olds across the community, which is at the front of all such national initiatives, and the other initiative is shifting 5,000 social housing units from the State Government to a non-government organisation to run. These are nationally significant projects that are being supported and the catalyst for them is Logan City Council. Is that happening in Sydney?

The Hon. BEN FRANKLIN: First, I thank you both for the extraordinary work you have done on this document, which I have read and cuddled up to on a winter's night for many weeks. I want to talk about the process. The panel recommended that the Government seek evidence-based responses from councils on proposed amalgamations. From my perspective, the process is to ask councils to put forward a business case and to me that seems a pretty fair response to your recommendation. How do you feel about that?

Professor SANSOM: It is obviously a matter that you can look at in different ways. The comment I was making earlier, which I think is relevant to your question, is that the Fit for the Future process has not been conducted around responding specifically to a set of proposals. What we had in mind was that the Government might adopt our suggestions for metropolitan Sydney—and obviously may have made some amendments to them—but would have invited councils to come forward with an evidence-based response to those specific proposals so that there was something tangible on the table, rather than having a discussion in a vacuum.

The Hon. BEN FRANKLIN: I understand that and appreciate it but I would respectfully suggest that that discussion has been happening for some years and is continuing as the process continues. Regarding your point about the other recommendations, I absolutely take that on board as a member of the Government. I know that the Minister is looking at a number of them and putting them into place, which I think is a good thing. But clearly there is a broader focus on size and capacity. If I have understood you correctly, and without putting words in your mouth, you were starting to say before that you contend that people can feel they have good representation in a larger council. I wonder if both of you could expand on that.

Professor SANSOM: I will make just a couple of comments. This is an area that Ms Munro is very strong on. There are a range of mechanisms that are available. The Committee had a discussion earlier on the fundamental questions of the number of councillors, whether you use a ward structure and how you elect councillors on a ward basis. We have seen a number of Sydney councils work with precinct committees of one sort or another, and several still do. Over in New Zealand they use more formalised community boards, and I do not mean, by the way, the local boards in Auckland because they are huge—the local boards in Auckland cover 70,000, 80,000 or 90,000 people. But at the precinct level in other parts of New Zealand they have what they call community boards. As we said in our report, there are a number of other things you can do, particularly in the way you construct communications with the community, the way you deal with service requests and so on. Brisbane City Council has an enormous amount of experience with that.

Ms MUNRO: It is not just in Brisbane City Council. Excellent customer service systems can be instrumental in creating highly responsive systems. In addition, and Professor Sansom has mentioned a few of them, there are other community engagement processes. Brisbane City Council has "Your City Your Say", which is a great way for people to effectively put forward their point of view on particular issues. I think we

have to acknowledge that the role of technology now has really shifted the way people communicate. So we not only have fantastic customer service systems but also social media, which is transforming the way that people relate to all sorts of organisations, including local government.

Some larger councils in Australia, and I am talking about councils with populations in excess of 200,000, individual councillors are being given extra supports. They are given their own offices and they are given support staff to help them research issues and answer inquiries. People come into their offices and make appointments to see councillors. So you are still able to retain that local knowledge. In Brisbane City Council there are quite a number of councillors who are returned with over 60 per cent of the vote because they have become so well known in their local community and they have a strong profile. They also face good opposition candidates when people stand against them. They are much sought after positions because of the gravitas and the degree of influence they have within their local communities.

Mr DAVID SHOEBRIDGE: Some people criticise it for being a very undemocratic council with an enormously strong powerful incumbency. Once you are in, you are in forever.

CHAIR: We do not need any further commentary from The Greens. That concludes this session. I believe this Committee is the first to fully embrace the opportunity of e-democracy in an online questionnaire. We did that to learn and to begin a process for the State Parliament to get out far and wide and into every house across New South Wales. We wanted people to be able to have their say from the comfort of their lounge chair, dining room, library or wherever it may be. We had 795 completed surveys returned. It is an initiative this Committee has taken on board. I think that reflects the sort of participation and communication that will be used in future by governments right across the board. I thank Professor Sansom and Ms Munro for their presentation today. We were in particular looking forward to hearing from Professor Sampson and seeking clarification of some issues. I think you have taken some questions on notice, and there may be further questions following up on this session. Witnesses have 21 days in which to return those answers to the secretariat.

(The witnesses withdrew)

(Luncheon adjournment)

SIMONE CARINA SCHWARZ, Director, Community Services, Marrickville Council,

MARK GARDINER, Mayor, Marrickville Council, sworn and examined:

TOM SHERLOCK, Councillor, Mosman Council,

PETER ABELSON, Mayor, Mosman Council,

RHONDA TYNE, Director, Community Outcomes, Fairfield City Council,

AMANDA JANE BRAY, Director, Corporate Governance, Fairfield City Council, affirmed and examined:

CHAIR: I welcome you to the Committee inquiry. I invite those of you who wish to do so to make a short statement. On this occasion, given there are so many of you, I ask that you keep it to two minutes. If you wish to make a more comprehensive statement you may choose to take your two minutes and table the remainder of the statement and it will be placed on the public record.

Ms SCHWARZ: I thank you for providing the opportunity for Marrickville Council to give evidence. Marrickville Council is supportive of local government reform. However, amalgamations featured in only a handful of the 65 recommendations of the Independent Local Government Review Panel. What has transpired since the review is a fixation on amalgamation, largely at the expense of the other recommendations. The criteria being used to determine if councils are fit for the future are extremely disappointing. The criteria are far too narrow and fail to recognise the importance of environmental and social outcomes.

In addition, the fact that there is no assessment of communities of interest or community feedback is alarming. Communities of interest, in our view, comprise three parts. The first is a local special geographic connection—where people do their shopping and use services, facilities and schools. The second is values. For Marrickville local government area those values are around valuing independent arts, our GLTBIQ community, and a sense of belonging. The third dimension is political representation.

Councils exist to satisfy the needs of their local communities, yet the State government's criteria completely ignore the views of local communities. State government wants large government, which is easier to deal with and which is too large for communities to be able to meaningfully engage with. The cost of amalgamations for local residents and businesses is estimated to be upwards of \$80 million for an inner-west council; 250 jobs could be lost. A big negative impact would be the increase, by threefold, in resident-per-councillor ratio, from 6,800 residents to each councillor, to 22,000 to each councillor. Rates will rise by approximately 8.3 per cent following an amalgamation of the inner west due to infrastructure renewal and maintenance. Any medium- to long-term financial benefits would not be recouped for many years. Evidence has shown that service levels rise to the highest level in an amalgamated council, resulting in few savings. Marrickville Council satisfies all seven of the key financial indicators, with no additional rate increases, if it stands alone.

The role of IPART in the process lacks the usual transparency, as IPART will not disclose the assessment outcomes of individual councils. We know that Australians think that local government is the best level of government to make decisions about their local areas. We also know that Australian communities want to be involved with government in making decisions about how and what services should be delivered in their local areas. All citizens of New South Wales should be able to have a say in the future of local government. I have tabled that document. I also table a very brief report on understanding communities of interest.

CHAIR: Thank you. We will take note of that.

Mr ABELSON: I would like to hand around this document, which is a print-out of a slide presentation of my opening statement.

CHAIR: Yes.

Mr SHERLOCK: I will say a couple of words while that document is being handed around. I would like to thank the Committee very much for actually existing. One of the things that I have heard when I have talked to people in the community is that they feel that the issues have not been discussed or understood. When

reports have been made in the *Sydney Morning Herald* they have referred to the fact that this is a remarkably fact-free debate. I am just so grateful that this Committee is meeting, listening to different stakeholders and trying to understand the essence of local government as opposed to—as Ms Schwarz was saying—how local governments can be amalgamated. I think the question is about how to make local government effective and how to service our communities rather than how to restructure things to make it easier for the State government—with respect to the State government.

Mr ABELSON: I have handed out this presentation. I will not go through every slide in detail because I am sure you have dealt with quite a lot of these issues before. I am also chair of the SHROC, Shore Regional Organisation of Councils, executive. I do not speak for them officially but I know that many members agree with the sentiments expressed here. I have been a member of a council for 11 years overall, over a spread of time. I am also a principal economic adviser to New South Wales Treasury two days a week, so I have two hats. The first slide covers the core functions of local government, what matters most and what form of governance can provide these community services and capacities to teach—capacity and scale. You can see three question marks. I have also written, "Where to from here?" and "Conclusions".

Everybody around this table knows very well the core functions of local government: local infrastructure, local environment, planning, services, waste, local public health, recreational facilities, community transport, meals on wheels, libraries, culture and, very importantly, services for seniors, families and youth. Most of these are personal services—many on a one-to-one level. What matters most is providing what the local community wants. Delivering customer service and community satisfaction seem to be the key issues. I am sure that is what many communities feel, and that has been the result of public opinion polls and so forth. These factors were very largely ignored by the independent panel. No panel member had ever held elected office, and that really showed up in their approach. In 2015, Professor Sansom wrote—the references are given here:

The ILGRP's concerns were with the effectiveness of local government as an arm of metropolitan governance.

Local councils are the third arm of government. We provide local services. We are not a branch of the State government. I turn to the slide on community service capacity. The key criteria for fitness should be our ability or otherwise to provide the desired local services and understanding what voters want. I used to be in a university but for the last seven or eight years I have been working in the State Treasury for two days a week. Most bureaucrats are quite remote from voters; they very rarely speak to them. Local councils deal with people on a daily basis.

I go now to the slide on financial capacity. As some of you know, I have written a paper called *Smoke and Mirrors: Fallacies in the NSW Government's Views on Local Government Financial Capacity*. I will not go into that now. I can certainly answer questions on financial capacity. There simply is no evidence that larger councils spend less per capita than small councils. Differences in expenditure per capita are entirely explained by differences in income levels, whether you have a business centre and the level of density of population. We are monopolies and we are also bureaucracies. If you make monopolies and bureaucracies larger you often make things less efficient. In Mosman Council we have 160 employees. I know exactly what everybody does. It is all very well defined. The position of the independent panel on that is very interesting. Mr Sansom has strongly, in fact vehemently denied that the panel intended any relationship between financial capacity and scale. He has written in a cited publication:

The idea that the panel recommended fewer councils in the Sydney metropolitan area in order to improve the financial viability of local government is pure fiction ... Nowhere did *Future Directions* argue that amalgamations of councils in metropolitan Sydney would improve financial viability.

That has been misrepresented, it would seem, by some arms of State government. I was not here this morning, but I understand that the Committee discussed strategic capacity. The reality is that things like knowledge, creativity, credibility—for more effective advocacy—and high-quality political and managerial leadership are broad and amorphous criteria. Councils certainly lack metrics. We do need strategic capacity, but we can build that through regional organisations, I believe. I am happy to answer questions on that.

Metropolitan functions are an issue. I am strongly of the view that we need more housing. It is a major social need. We must all cooperate on that. However, one has to say that the State Government has failed to develop and communicate a robust methodology for housing targets, based on market economics, transport and environmental criteria. I noticed in the *Sydney Morning Herald* this morning the idea that one-fifth of all our new housing requirements are going to be in south-west Sydney. We have been over-predicting the take-up in

south-west Sydney for the last 20 years. It is fantasy to think that we can solve the housing problem in south-west Sydney. But we must assist with that; that is a real issue. I do not want to back away from that. It does need to be dealt with.

Scale or minimum population size has no intrinsic importance. At the conference in Coffs Harbour last year, I asked the acting chief executive of the Office of Local Government, "Is scale and capacity one criterion or two?" The acting chief executive was unable to answer that question. It remains unresolved. In our council's submission to the Independent Pricing and Regulatory Tribunal [IPART] we asked the same question: "If and why is scale the stand-alone criterion?" If you have capacity, why do you need scale? What you need is capacity, an ability to meet customer demands. The response was that IPART could not change its terms of reference.

Where to from here? Everybody around this table is in favour of reforming and improving. We need to develop service metrics. We are about providing services. We need to know whether we are providing good services. We need consumer surveys to determine service requirements. We certainly need consistent auditing standards. There is a case for reforming the local council revenue base. Some of our charges are way out of date. Some people have inappropriate exemptions. We should provide financial support where it is needed most. There are councils that struggle financially and need support. Putting together two councils that are not financially viable is not going to resolve that. I cannot resist adding that we should reform private certification. We should encourage regional planning. Above all, we need to develop and implement credible housing targets for Sydney.

Local councils are the third level of government. We are not an arm of State government. Our services are not of the same kind. Yes, reforms are desirable. Financial and capacity-of-scale arguments for merging councils are simply furbies. The strategic capacity criteria are vacuous. Of prime importance for local communities is: Do we deliver the services and accountability that residents and ratepayers want? We need a better idea of what they are. Nearly all surveys show that most residents and ratepayers strongly support their councils and oppose amalgamation. I cannot resist quoting Mark Twain:

If voting made any difference, they wouldn't let us do it.

The people of Sydney have voted. Speaking for those voters, I trust that their votes will make a difference.

CHAIR: Thank you.

Ms BRAY: Thank you for the opportunity to present at this hearing on the inquiry into local government. I will highlight a few points from Fairfield City Council's submission. Fairfield City Council's Fit for the Future proposal to IPART made a strong case that council has the scale, capacity and financial sustainability to remain as a stand-alone council. Fairfield City Council is the third-largest local government area in metropolitan Sydney and larger than many of the councils recommended to stand alone. Over the next 10 years, Fairfield City Council will be stronger against the Fit for the Future financial criteria than the proposed amalgamated Fairfield and Liverpool councils.

The Independent Local Government Review Panel's final report *Revitalising local government* made 65 recommendations which it believed would strengthen the local government sector. The Fit for the Future reform agenda is very limited, as it addresses only the structural reform options put forward by the panel. Considering amalgamations in isolation from the other recommendations is contrary to those recommendations. I quote inter alia from the panel's report:

The challenges facing local government can only be addressed successfully through an integrated package of measures ... If individual recommendations are "cherry-picked", then at best the benefits of reform will only be partially realised ...

The Fit for the Future time frame and the release of IPART's final methodology for the assessment of councils' Fit for the Future proposals allowed fewer than three weeks for councils to finalise their submissions. It was an unrealistic time frame. The IPART methodology changed the goalposts on what was originally proposed in relation to scale and capacity under the Fit for the Future roadmap. Fairfield City Council's position is that it does not support forced amalgamations and that any amalgamation should be the decision of residents, not of politicians or bureaucrats. Thank you again for allowing us to address the hearing. You have had an opportunity to read council's submission. We are happy to take questions to clarify council's position.

CHAIR: Thank you. At the moment local government is an arm of the State government. It is under our jurisdiction, so we have a responsibility and accountability to the people of New South Wales. Constitutional recognition might change that situation. What are your thoughts about councils that are not financially viable? How should the New South Wales State government make sure that taxpayers and ratepayers are looked after if their local council is collapsing?

Mr ABELSON: One of the issues is the way a council defines whether it is making a loss. The financial criteria changed after the TCorp report. Before that, capital grants were always counted as part of council income. Suppose a council has an operating deficit of \$1 million. If the capital grant is \$2 million then you have plus \$1 million. You are not going backwards in that situation. Capital grants have long been part of local government finances. Councils which have a relatively low level of per capita income or no business centres may well need more support to provide adequate social services, such as meals on wheels and libraries. My own view is that public resources from the State or Commonwealth should recognise that. My community would rather stay independent, receive a little less support and put the money where it is most badly needed. It is a fallacious argument that if councils are amalgamated somehow the financial problems will go away.

CHAIR: That is not my question. I do not want to talk about clever accounting. We know that in local government money can be shifted from A to B to C to provide services. I am asking the panel about the council that does fall over. What do you think should be the response to that situation? There are a lot of vulnerable councils that are unsustainable financially. What is your answer to dealing with that one-third of councils? Let us say they fell over. How do you think we should address that, other than through amalgamation, which is an obvious solution?

Mr ABELSON: I am not aware that a third of the councils in Sydney are remotely vulnerable. Some of the largest councils have operating deficits, but I am not aware that Liverpool, Fairfield, Blacktown or Penrith are about to fall over financially. The largest councils are losing the most money—not Fairfield, actually. That has to be dealt with, but amalgamation is not going to resolve that.

CHAIR: Does anyone else have a comment on that?

Mr GARDINER: Yes. Thank you. It is a straw man argument. As Mr Abelson said, most Sydney councils are not going broke and are not likely to fall over now or at any time in the future. The councils without sufficient funds are in rural and regional New South Wales.

CHAIR: I am not making any distinction. I am talking about one-third of the 152 councils. I do not care where they come from. I am trying to find out how you think the State Government should take responsibility and accountability for its arm of local government, for those that are falling over. How does Government address that issue of behalf of the ratepayers and taxpayers of New South Wales?

Mr DAVID SHOEBRIDGE: Is that a fair question to ask of the metropolitan councils, all of which are financially robust?

CHAIR: It is a general question about local government. Although the panel are all from metropolitan Sydney, I am not asking the question from a metropolitan point of view. I am asking it as a former mayor. There are 152 councils. Other than amalgamation, which seems to be one of the issues, what is your answer to dealing with financially unsustainable councils? I am after some creative answers.

Mr GARDINER: Rate pegging is a clear issue for local government—the inability to raise funds as local government needs to. That should be looked at. Secondly, financial assistance grants have felt the impact of Federal Government changes. Less money is now being given to local government. It is all very well for State Government to say that councils are losing \$1 million a day, but we are not able to raise revenue as we need to. The Federal Government has cut revenue. There has been increased cost shifting from State Government to local government. They are the three matters that should really be addressed.

CHAIR: Thank you.

Mr DAVID SHOEBRIDGE: What do you say to Professor Sansom's idea of redistributing financial assistance grants in particular to extremely needy, cash-strapped councils?

Mr GARDINER: That appears to make the most sense.

Mr DAVID SHOEBRIDGE: From a metropolitan perspective, that would mean that you would make a large financial contribution to sustainability in the regions.

Mr GARDINER: Yes. If that happens, rate pegging needs to be addressed.

Mr DAVID SHOEBRIDGE: It has to be part of a package.

Mr GARDINER: Yes.

Mr DAVID SHOEBRIDGE: By itself it will create disaster in metropolitan councils.

Mr GARDINER: Absolutely.

Ms SCHWARZ: Further to that, there is a willingness by larger metropolitan councils to look at the redistribution of grants to other areas. Even in metropolitan areas, let alone in rural and regional areas, councils are often the largest employer in their local government area. The economic impact of amalgamating councils and withdrawing services, staff and jobs in those areas is huge. We could look at redistribution, but it would need to be phased in because it would have an impact on metropolitan councils if all those grants were withdrawn very quickly. Councils would be able to look at a phased redistribution of those grants. The economic issues faced by rural and regional areas are so great that amalgamation will make them even worse.

Mr SHERLOCK: I do not think I am adding anything particularly new, based on what has been said, but metropolitan councils have the capacity to raise greater revenue through rates if rate pegging, which has been around for 38 years, is reduced. The idea of giving financial assistance grants in place of asking residents to pay for services that they want does not make sense. There are councils in rural areas that have a harder time making the economics balance because of the structure of their area, because of the dispersion of the people. They need bridges; they need roads; they have an awful lot of infrastructure to pay for. They do not necessarily have the industrial base or the income of residents to raise revenue through rates. It would seem sensible to apply financial assistance grants to those areas to support them, because they need that support. I do not think that metropolitan councils need the same support. Metropolitan councils have more capacity to raise revenue in other ways.

Ms BRAY: A number of metropolitan councils are very disadvantaged. Fairfield is the third most disadvantaged local government area in New South Wales, next to Central Darling and Brewarrina. Some metropolitan councils do not have the ability to raise rates. Therefore, any rate pegging should be based on the socioeconomic indexes for areas [SEIFA] data on disadvantage and the community's ability to pay.

Mr DAVID SHOEBRIDGE: And the same with financial assistance grants?

Ms BRAY: Yes.

Mr DAVID SHOEBRIDGE: The capacity of the community to raise resources themselves?

Ms BRAY: Yes. Even a number of metropolitan councils do not have the opportunity to raise rates because of their community's disadvantage so that needs to be taken into consideration.

CHAIR: Thank you for drawing our attention that it is not one size fits all yet again.

Mr DAVID SHOEBRIDGE: Auburn has just had a big sigh of relief.

The Hon. ERNEST WONG: My first question is asked on behalf of the Hon. Sophie Cotsis and is directed to Fairfield City Council. Fairfield City Council is one of the most culturally diverse councils across the State. In your submission the consequence of amalgamation would then be a reduction in local representatives and you mention in your submission that then the local voice, especially of the multicultural and disadvantaged sections of the community, would struggle to be heard. How would that affect residents in the area?

Ms BRAY: For those who do not know, 70 per cent of the Fairfield community speak a language other than English at home, 20 per cent do not speak English at all or English well and about 50 per cent were born

overseas. We receive more immigrant family visas than any other city in New South Wales. We certainly have some challenges, but that being said it is a very vibrant and resilient community and it is very lovely.

The Hon. ROBERT BORSAK: Good food.

Ms BRAY: Beautiful food. Our councillors very much represent our community. Many of them speak a second language and many of them represent different cultural groups so they are integrated into the community, which allows residents in the community a voice or to be able to influence the councillors or decisions in the community. Fairfield not only is the most multicultural, it is also the most disadvantaged, which provides unique challenges for our area. We provide many services. Most of our services are provided to the multicultural community. It is not something we add on; it is the way we work, so everything we do actually addresses the multicultural community.

The Hon. PETER PRIMROSE: Each of your submissions makes reference to the oft heard generalisation that local councils are losing \$1 million a day and that is why they need to be forcibly amalgamated. Do any of you wish to comment, and I note that Mayor Abelson has some specific words on this?

Mr ABELSON: The origin of that was clearly an immediate aftermath of the TCorp report where the auditing convention changed significantly. Up until 2012 councils were considered to be quite viable and rate pegging was based on that concept if you had a surplus after including capital grants. That was always the case and that was how the Office of Local Government actually set rates. TCorp pointed out that you should really separate out the operating budget from the capital grant and if you had \$1 million of capital grants they should not be counted. That changed the results for lots of councils, including for Mosman, but I will not go into those details. TCorp was quite right but the convention changed overnight. A lot of councils adapted to this, certainly the North Shore councils, which had the capacity to do so and readily have adapted to that, and nearly all of them are now running operating balances or surpluses.

Secondly, of that \$365 million a year the great bulk was still being lost in large councils with low incomes or in the rural and regional areas. That was where the financial deficits were much the greatest. The councils that had been able to adapt to this quite appropriate change in standards had done so and that is no longer an issue. Those that have lower income or a lack of business base or low density have had more difficulty. I do not know what the annual figure now is but certainly amongst 25 or so councils in inner Sydney, northern Sydney or southern Sydney the deficit would be pretty minimal.

The Hon. PETER PRIMROSE: My fundamental point is: Is it a valid generalisation? Does it mean anything and does financial capacity really have anything to do with size?

Mr ABELSON: Well, it does not. When you actually do the statistics you find that financial capacity is related almost entirely to three things: income levels, having a business centre, and density. It is nothing to do with the size of the area at all. That is the statistics. It was a valid statistical observation as of 2012-13. It would not be a valid statistical observation about the deficit today.

Mr DAVID SHOEBRIDGE: And it does not of itself produce an answer?

Mr ABELSON: No.

Mr DAVID SHOEBRIDGE: It does not suggest you should be amalgamating because in fact all those factors you talk about are entirely irrelevant to the size of the local government area?

Mr ABELSON: Yes, and all the work by Professor Dollery indicates the same thing, that the larger areas do not produce economic savings and the reason for that is that we are not a competitive private enterprise. Competitive private enterprise, if it gets larger, has to make profit and get a return on shareholders zero metrics. We are a monopoly and we are a bureaucracy and the incentive structures are quite different in those things. Being larger does not make you more efficient.

Mr DAVID SHOEBRIDGE: If you do not like the garbage service that Mosman is supplying you in Mosman you cannot ask for Manly to provide it.

Mr ABELSON: No, you cannot move out.

Mr DAVID SHOEBRIDGE: No, you need some other accountability measure.

Mr ABELSON: You cannot just change your telephone service.

The Hon. PETER PRIMROSE: I know Mayor Gardiner wanted to say something.

Mr GARDINER: I cannot add much to what Mayor Abelson has said.

Ms SCHWARZ: My understanding is that even the financial indicators are questioned by finance people and certainly auditors that I have spoken with question the indicators that have been chosen to measure the financial viability of councils. So I think that alone is something to look at because they are not the only financial indicators that could be used and, as has been said, there has been a changing of the goalposts in how some of those financial indicators are assessed anyway. I think we have seen dramatic shifts in councils' viability in a year because those goalposts can be changed even with the financial indicators the way they are now. There is not agreement even from those who have got financial expertise on the validity of these particular indicators.

CHAIR: Could anyone elucidate what goalposts have been moved and the criteria in the last 12 months?

Mr ABELSON: The goalposts have been moved in that the definition of a surplus has changed fundamentally and councils adapt.

CHAIR: Could you give us the financial language of what has been changed?

Mr ABELSON: When I came into Mosman council in 2012 we were running actually a deficit even with grants of \$1 million. Without the grants we were running a deficit of \$3 million. Under my regime we are now actually running a surplus and the \$3 million deficit has gone. The change in the definition has been good reform and has concentrated councils' minds that capital money should go to capital expenditure and not be propping up operating expenses. It is excellent reform.

Mr DAVID SHOEBRIDGE: But the first snapshot of council's finances was 12 months after that reform came in—

Mr ABELSON: Yes.

Mr DAVID SHOEBRIDGE: —when they had not had a chance to address it?

Mr ABELSON: Absolutely.

Mr DAVID SHOEBRIDGE: And they have addressed it since.

Mr ABELSON: Many councils have anyway.

Mr GARDINER: One of the key focuses is on rates of depreciation and how one measures the depreciation of assets and how that is not yet uniform across councils. The reform to the auditing of schedule 7 is coming in but at the moment there can be massively different rates of depreciation and in many ways that alone can dictate if a council is losing money. If there is a notional depreciation of its assets above and beyond what it is spending on asset renewal or asset repair, it is automatically assessed as losing money and it is not necessarily the case. Then there needs to be an assessment of what level of asset maintenance is expected and measured by the local community.

We did within Marrickville a community jury where we engaged an external agency and brought in a broad representative number of local residents and allowed them to express to us what level of infrastructure they found to be acceptable and what they did was actually indicate to us that we were pitching it too high. They were able to accept a lower level of infrastructure within the Marrickville LGA and that alone changed some financial measurements, just by assessing how we maintain and develop new infrastructure going forward.

Mr ABELSON: That is the notion of infrastructure backlog. It is exactly that. There is no uniform measure of infrastructure backlog or condition.

The Hon. ERNEST WONG: In all of your three submissions you mentioned that inadequate time had been provided by IPART since notification. It gave only three weeks to provide a report. Can you tell us the impact and true reflection of your council's financial situation and future plans? You were given three weeks to prepare a proposal, which was definitely not adequate. How does that reflect the true situation of your councils' financial and future plans?

Mr GARDINER: If I may at least attempt to answer that question. Thank you for the opportunity. In relation to the IPART requirement, IPART made it very clear that for them to assess a stand-alone proposal the councils submitting had to establish that they were better than the recommendation in the panel and they wanted—as IPART does and should require—evidence based upon that. But the threshold of measuring that you are better than something, you have to have something to measure against and that was utterly lacking from the material that councils had to work on.

An ability to measure scale and capacity based upon, in our position, a combined council of six current councils, to show that we were better than something when there was no financial basis and no evidence whatsoever for establishing that those merged councils would be better than various stand-alone councils made it very difficult to make a sensible submission to IPART that we could stand alone because better than what? Better than a notional number of people? Better than a notional rate base but no consideration of the broader issues that councils face?

Ms BRAY: Just adding to that, some of the changes that did occur between IPART being appointed as the independent expert was the treatment of scale and capacity, both of the threshold measure, so you must actually pass that hurdle even before you get to the financials was something new in the equation and then upon releasing the final methodology they then separated out scale and capacity. There was a lot of internal work and a lot of work that needed to happen. Because defining what scale was and what was meant by scale was subjective and strategic capacity and measuring strategic capacity is also subjective in the 10 elements that they identified. That was something new that was introduced three weeks prior to the submitting of the final report so a lot more work and a lot of councils had to go back and revisit that because it actually changed the goalposts.

The Hon. PETER PRIMROSE: Mayor Abelson, I note that a couple of times you have mentioned the incident where you sought to clarify whether scaling capacity is one or two criteria. Have you ever found out or worked out the answer to that?

Mr ABELSON: No, we have really had no answer and to my knowledge it has never actually been explained. It has become a kind of rhetoric or phrase but as I say in my presentation to you and I have said elsewhere capacity is objective and providing good service is objective but scale is not. It is hard to see why that is an objective. When I asked at the local government conference, the acting director simply could not answer it and IPART's answer was, "Well, we can't change our terms of reference." There has been really no explanation of this. I do not know if anyone else has a view on that. I think it is quite a widespread feeling.

The Hon. PETER PRIMROSE: I note everyone is shaking their heads. May I ask a process question? One of the issues that has been raised a couple of times already is about people feeling this whole process is being rushed and, for various reasons that people have outlined, is almost putting the cart before the horse. I wonder whether any of the panel wish to comment on the speed of the process and whether they believe the cart is being put before the horse.

Ms SCHWARZ: I might just say that it is because of the timing as well. We had the whole independent review panel reporting back and then we had Christmas. People were trying to engage with their communities at the worst time of the year possible. We get I think what is called seasonal illiteracy—when people are away and they are not looking out for things that they should be commenting on. It meant that we had only that time frame to really consult with our community and do a whole lot of work in a time when it is a holiday season. So it was a very rushed process from that point of view and of being able to engage your community in any sort of reasonable way. I do not know if anyone else wants to comment.

Ms BRAY: To add to that, I guess the panel made 65 recommendations and Fit for the Future only progresses the structural reforms. The panel made it quite clear that cherry-picking out of those recommendations was not ideal. I guess what we were hoping for was, as most local councils actually support the majority of the recommendations, progressing some of the other recommendations. Progressing Fit for the Future in isolation from the other recommendations is not really the panel's recommendation.

Mr ABELSON: From my perspective, we put a huge amount of resources into it, as many councils did. Certainly there was concern about the time but I do have a concern about the deaf ear. When we said anything to people, that did not seem to get much attention. It was the deaf ear problem that was more of a problem with it, I think.

The Hon. ROBERT BORSAK: I know about that, deaf ears. At a risk of being accused of verballing Government members on this Committee, I am going to say it anyway because the much vexed question of self-interest came up with previous people giving evidence today. How do you react to an accusation that this is nothing but nimbyism? You have come up with all the reasons why you should not be doing what they want you to do, but why should you not be considering what you should be doing?

Mr ABELSON: I am very happy to answer that. I am 72 and I am passionate about independence. I have no particular political future. It is completely irrelevant to me. I am a professional economist. I just do not think that is a relevant issue at all for most of us. For some people, maybe; but that is not the driving force for me and I am sure it is not for a lot of others.

The Hon. ROBERT BORSAK: No, I am talking in terms of your community. I am not talking about individual councillors.

Mr ABELSON: I am sorry. I thought you were talking about councillors protecting their own position.

The Hon. ROBERT BORSAK: One would assume that you are coming from the position that your councils are reflecting your community. Yes?

Mr ABELSON: Absolutely. It is quite clear. I think Keith Rhoades said that most councils' community consultations are very strongly in favour: "We want to have local representatives who live within five or six kilometres of us. We can speak to them. They will come around to our house" and all the rest of it. Of course it is self-interest. People like to have some form of control over their lives and some form of accountability. That is self-interest but it is a feeling of having some kind of control over your lives, your environments and your accountability. That is certainly self-interest but it is not self-interest that I feel is very shameful.

CHAIR: It could also be known as ownership.

Mr ABELSON: Ownership—that is the phrase, yes.

Mr DAVID SHOEBRIDGE: Some people call it democracy.

The Hon. ROBERT BORSAK: That terrible word!

Mr ABELSON: I call it democracy too.

Ms SCHWARZ: To that point, I think it is not unreasonable for people to take an interest in what is happening in their local area. I think it does go to the point of democracy because we do have a bit of crisis in democracy where there is a lack of faith in political institutions; yet local government has the highest level of confidence, I think you will find, of any level of government. We can see even from the research that has been done only recently that Australian communities want to be involved with government in making decisions about how and what services are delivered and also that they think local government is the best level of government to make decisions about their local community. We do have a very high level of trust in local government, certainly in Marrickville, and we have the research evidence that supports that our residents think that. I think it is reasonable for people to be involved in their local area. If we do want to have robust democracy, then they have to be able to be involved in a level at which they can be involved, and that is at the local level that affects them.

The Hon. PETER PRIMROSE: This morning I asked the Office of Local Government people what was the process when a report was received from IPART if a council was found to be unfit and who would make the decisions. They could not say, and I do not blame the officers of the department for that. I am not asking you to come up with what the Government should do, but in relation to the Boundaries Commission process, the media has reported statements that the Minister may be looking at doing away with that. Do you believe that

that process should stay in place, or do you believe that it should be done away with? I am just wondering about your comments.

Ms SCHWARZ: I will have a go at that one.

The Hon. PETER PRIMROSE: Please feel free to take it on notice, by the way.

Ms SCHWARZ: I think a robust process that involves local communities in what their local government area looks like is essential. At the moment the Boundaries Commission is a way to do that. I think that that is an important step so that you do get that level of democratic participation and faith that this has been an open process. I think that that is a really important part for our local residents to understand—how and why these decisions are being made and that they are going to be of benefit to the local community.

Mr ABELSON: I do not wish to comment too much about the Boundaries Commission, but I think there is a real problem that many councils were asked to consider mega-mergers which were—I do not know quite which word to use—pretty mad. In the case of the North Shore, it was Mosman, North Sydney, Willoughby, Lane Cove, Hunters Hill and East Ryde. If the Government decides that is not appropriate and that this is a completely silly idea of local government, where do you go from there? Do they suddenly say, "Actually we now want Sydney to merge with Manly. We now want Sydney merging with North Sydney."

Nobody has done any work on that and there have been no discussions of that. I do not see how they can suddenly invent a new prospect. Perhaps if the independent panel comes up with some kind of mergers that people have had some understanding of—but they have not. I do not know how you move from this rejection of these mega-mergers, which hopefully the Government will reject, to completely new ideas that have never been discussed.

Ms TYNE: Can I just make a comment that certainly the State Government went to its election on a policy of no forced amalgamation. At the last local government election there was no question of amalgamation. People really have not had an opportunity to have their say. The Boundaries Commission process may not be perfect but it does at least open up the public hearing process so that people could have a say. At some point the community needs to get its say, if not through an election then at least that gives them that opportunity.

Mr GARDINER: Mr Primrose, I asked a similar question in a different way of IPART at a public meeting. I was talking about the six that we are talking about in Marrickville—so Marrickville, Ashfield, Strathfield, Leichardt, Canada Bay and Burwood—and I said, "What would you do if you find two of those six councils to be unfit but they do not share a boundary?" The answer was, "We will make a recommendation to the Minister that they are unfit." They simply did not know. Whether or not the IPART process is fair or reasonable, it does not meet the objectives at the end of the day in actually helping government and helping local government as well to make some decisions about its future.

Mr DAVID SHOEBRIDGE: We might get east and west Pakistan in the inner west?

Mr GARDINER: Indeed.

CHAIR: In Marrickville's submission in section K, under the title "Protecting and delivering democratic structures for local government that ensure it remains close to the people it serves", in the second paragraph you state:

There are legitimate concerns that larger councils will become breeding grounds for the two major political parties. This would have the effect of increasing politics in local government at the expense of "local representation", and may see the decline of Independents and smaller parties.

Do you wish to clarify that?

Mr GARDINER: Yes, thank you. At present Marrickville Council has four wards and each ward has three representatives. Each ward has round about 20,000-odd residents. They are small local areas which make it feasible and reasonable for independent candidates to know the area, be known in the area, doorknock, leaflet and do all those normal democratic things that people do. An independent does not need to have a large amount of money to run for local government and does not need a large political organisation behind him or her to be a successful candidate. If you then take on board the panel recommendations for our local government area, we

are looking at 15 councillors with an area spreading from King Street in Newtown all the way through to Burwood and Canada Bay.

The governance structure is not known and there may well be a ward structure, or there may not be, depending on what is decided—and that is another issue, I think. Suddenly an Independent has to fund an organisation and fund a campaign over an enormously large geographical area. Potentially he needs to get 22,000 residents supporting him and I think that is going to see the end of Independents in local government. No Independent be able to fund a campaign in terms of time, money and resources to have an effective voice in local government. I think that is tragic.

CHAIR: Thank you. Is there any further comment on that?

Mr DAVID SHOEBRIDGE: Often those who critique local government critique the sector for being nimbys—looking after their own patch exclusively and disinterested in what happens across their border. I have to say that my experience is when you sit down with local government and have a deeper conversation with them you do not find that. One of the things I have found refreshing in this conversation is what those metropolitan councils, which have the capacity to raise greater resources through rates, are willing to say about financial assistance grants and a re-targeting of financial assistance grants to needier councils, provided you are given the capacity to raise the additional revenue from residents who can afford it. Have you had that kind of rich conversation with the Government? Have you been given that opportunity?

Mr ABELSON: No. That is the short answer.

Mr GARDINER: No, we have not.

Ms SCHWARZ: Possibly not—only through formal submissions. But I think there is room for that sort of dialogue to really explore that in a deeper way.

Mr SHERLOCK: From my point of view, I think this whole process started with Destination 2036, which was an attempt by the then State Government and wideranging representations from local government to see how we could kind of work together. I really think that is a terrific opportunity for the whole State. But that Destination 2036 agenda has really fallen to pieces, in my view.

Mr DAVID SHOEBRIDGE: Professor Sansom in his evidence and in his submissions made it clear that those kind of structural things—how you deal with financial assistance grants, what you do with rate capping, what to do with regulated fees and fees for service—they really need to be answered first—

Mr SHERLOCK: Yes.

Mr GARDINER: Yes.

Mr DAVID SHOEBRIDGE: —before we start going down the path of amalgamations or re-forming the shape of local government. What do you say about that?

Ms TYNE: Certainly that was in our submission as well but, as Ms Bray quoted earlier, the problem we have with Fit for the Future is that it has cherry-picked the amalgamation recommendation out of 65 recommendations, most of which our council agreed with and I think certainly a lot of the Sydney metropolitan councils agreed with. That more total package really does need to be addressed.

Mr DAVID SHOEBRIDGE: In my conversations with local government I am getting a frustration from the sector that there is a lot of positive reform you want to talk about and implement but you are not being given that opportunity because all your resources in the reform sphere are dealing with the Fit for the Future agenda and IPART. Is that a shared frustration?

Mr ABELSON: We have spent a huge amount of time on that in the last 12 months with a large amount of senior service time as well as outside resources having been devoted to this. We would much prefer to have spent it discussing some of these other issues, but we did what we are required to do. We feel we have responded to what the Government wanted us to do, but I entirely agree with you that there are other things we could be doing probably more profitably.

The Hon. ROBERT BORSAK: Has anyone given any thought to discussions with you about the role of the Greater Sydney Commission?

Mr GARDINER: We have had some vague promises from the former Minister for Planning in relation to what the commission is going to look like. We still do not know what its final form is going to be; at this stage it is just a ministerial advisory panel. We do not yet know what its planning powers are going to be. We do not know how the sub-regions will interact with the current regional organisation of councils. We do not know what planning powers it will have. We do not know what planning powers will be left to local government. We just do not know.

Mr DAVID SHOEBRIDGE: Do you know how you will interact with the Greater Sydney Commission?

Mr GARDINER: The sub-regions are meeting, sort of, and discussing how that might work, but we just do not know any of these things. You talked before about the frustration of local government. I think most local government representatives will agree that the sector needs reform and the amalgamation issue does not address any of the reform issue; it just makes it bigger. What is it going to look like after amalgamations should they be forced? None of these issues are addressed at this stage.

The Hon. ROBERT BORSAK: It is going to look like certain commissions.

Mr GARDINER: That is right.

Mr ABELSON: Addressing your point, one of the things that is not clear is actually who will decide the housing and employment targets, whether it will still be the Department of Planning and Environment or the Greater Sydney Commission. My impression is that it will actually still be with the Department of Planning and Environment. I do not think they are going to give up their powers; they are advertising for senior planners and they have recently told the northern region that they will shortly be given their targets. We are not quite clear whether the Greater Sydney Commission will be just a delivery instrument or what its roles will be. My guess from looking at bureaucratic politics is the Department of Planning and Environment will not give up a lot of its work to the Greater Sydney Commission without a fight.

Mr DAVID SHOEBRIDGE: But we could potentially have the prospect of another layer of bureaucracy with an advisory capacity and an even more opaque line of accountability for planning decisions in Sydney?

Mr GARDINER: Yes, we could.

Mr ABELSON: Let us wait and see what Government wants, but at this stage the demarcation between what the Department of Planning and Environment will do and what the Greater Sydney Commission will do is very unclear, to us anyway.

Mr DAVID SHOEBRIDGE: I turn to the scale and capacity criteria. Each of your councils has had to make a submission as to scale and capacity. How did you go about responding to criteria such as knowledge, creativity and innovation; or high-quality political and managerial leadership; or credibility for more effective advocacy; or capable partner for State and Federal agencies? How did you address those?

Ms SCHWARZ: We addressed them through a number of ways. We looked at what we were already doing in that particular space. Marrickville Council has done quite a lot of work in the creativity space and only last week we launched with the Australian Centre of Excellence for Local Government a report on creativity in a creativity lab hosted with the University of Technology Sydney [UTS]. We looked at what we were doing in each of those different criteria and gave examples. It was very hard because of your ability to employ a wider range of skilled staff. In my directorate alone we have a chef, a historian, landscape architects, childcare workers, librarians—I have such a broad—

Mr DAVID SHOEBRIDGE: You clearly need an archaeologist.

Ms SCHWARZ: Yes, exactly. We have such a broad base.

The Hon. ROBERT BORSAK: Do you have an artist in residence?

Ms SCHWARZ: We do. We tried to look at what we were doing in that space and how we were able to partner already with levels of government. We do that already.

Mr DAVID SHOEBRIDGE: Largely you repackaged what you were doing, put it to IPART and, in some mysterious way, IPART will judge what you do against these criteria. Does it get any clearer than that?

Mr GARDINER: It gets even worse, with respect, in that IPART assesses that against how a mythical six council merger would do all that, because we have to prove we are better than that.

Mr DAVID SHOEBRIDGE: Did you have to undertake an intellectual exercise and create a mock council to compare yourself against? Is that what Fairfield did?

Ms TYNE: Yes.

Mr DAVID SHOEBRIDGE: Did you find that a largely fatuous process, a deeply disheartening and worthless process, or was it a good process?

Ms TYNE: It was a good process in that we sat down and thought about all the really good work that we are doing, but in terms of the comparison with the amalgamated council it was very difficult, particularly for the metropolitan councils.

The Hon. ROBERT BORSAK: What does a mythical council look like?

Ms TYNE: I wish I knew; it would have made the job a lot easier. In metropolitan Sydney, whether a council is 200,000, as we are, or 400,000, as Liverpool is, the attraction of that organisation for skilled staff across Sydney remains the same. For a lot of it, it was very difficult to show a difference between our existing situation and the amalgamated situation.

Mr DAVID SHOEBRIDGE: What about Mosman?

Mr ABELSON: We did not compare it with mythical alternatives, but we have done quite well recently in a number of exhibitions and awards we have won. We won a national award for an art and cultural exhibition this year for Bungaree's Farm. The Shore Regional Organisation of Councils [SHOROC] has won; the Northern Beaches regional organisation, which we are part of, has been recognised as possibly the leading regional organisation as it has had awards in that respect. Several of our staff have come from much larger councils. Our director of arts and culture, who is an outstanding person, came from a much larger council—I perhaps should not say which one—and is very happy with us.

This year we employed a compliance officer and a communications officer who both came from much larger councils and they find that the work with us is very rewarding. I said to the arts director, "What is it like working for us rather than working for X?" he said, "The difference working for the larger council was that only 20 per cent of my time was rewarded whereas working for Mosman 80 per cent of my time is rewarded and I am able to achieve much more." We put those kinds of argument forward.

Mr SHERLOCK: The other thing from a Mosman perspective is that we are a small council compared with some in Sydney but we work with other councils. For example, we share an internal audit function with five other councils, now six because another one has just joined; where it does not make sense for us to have that degree of expertise within our own council, we work with other councils to share it across councils. To be honest, I do not know why this is such a radical concept for the Government because the commercial world has been using shared services and outsourcing to optimise the mix of internal resources and external resources and shared resources and in-house resources for a long time. Anybody who thinks that councils cannot do it for some reason is just not on the same planet. I feel very strongly about that.

CHAIR: I think a lot of councils are doing it for waste management as well.

Mr DAVID SHOEBRIDGE: One of the financial criteria that has been put forward in Fit for the Future is the real operating expenditure per head and the idea that over time real operating expenditure per head should be on a downward trajectory as a measure of financial robustness. What do you make of that criterion?

Ms SCHWARZ: From a Marrickville perspective, we said that that should have a qualifier so that if that was going to be a criterion it should be without loss of service. If you chop services and have fewer services you are going to have less expenditure per capita, so there needs to be some qualifier to ensure that you are talking about the same service level when assessing that criterion.

Mr ABELSON: This criterion was put by the Office of Local Government. Expenditure obviously is quantity times price, and it is desirable to try to reduce unit price over time but it is not sensible, as you said, to reduce the quantity. IPART, however, did recognise that and quietly changed that in their report, saying allowing for improvements, which they would allow, if you could show you were improving things, they would take that into account. That was quietly changed.

Mr DAVID SHOEBRIDGE: Do you know in what way they will take it into account?

Mr ABELSON: No.

Mr DAVID SHOEBRIDGE: Is that not the rub?

Mr ABELSON: Yes.

Mr SHERLOCK: I think that one of the great strengths of local governments is that they are able to see what services the local community requires and respond. If the population is getting older, we might need more Meals on Wheels services and social services for older people. Over time the needs will change in the community and we need to respond to that, so a key strength is the dynamism in service delivery.

Mr ABELSON: I can add a brief point. In the last two years IPART's rate pegging has fixated on the consumer price index or costs for services. The only way you are allowed to improve your services is to go cap in hand to IPART and say we would like to improve our services. It is really a bit demeaning to local councils that they have to determine whether you are allowed to improve your services or increase your services. I have to agree there needs to be some regulatory check, but there needs to be a simpler process than simply as a starting point to say all you can do is increase in line with the consumer price index, regardless of what your community wants. We need checks and balances but that is more than being a nanny state.

CHAIR: Mr Shoebridge, your time for questions is up.

The Hon. BEN FRANKLIN: First, I want to pick up an issue raised by Ms Bray that a view of representation suffers with larger councils. I also pick up on Mayor Abelson's comments about liking to have community representatives who live within five or six kilometres of us. From a Nationals perspective, when you look at councils like Cobar and Moree, that would be delightful but it is not going to happen.

Mr ABELSON: My submission to you was about Sydney metropolitan areas and not necessarily other areas.

The Hon. BEN FRANKLIN: I know and I am being naughty, but there is some truth in it. Picking up on Ms Schwarz's point about research, I note that we had a presentation from Associate Professor Roberta Ryan on the "Why Local Government Matters" report where she noted that 57 per cent of people believe that their sense of local community and 62 per cent believe that their sense of belonging to their local area will be no different under amalgamation. We had some strong evidence from Jude Munro that she did not think representation would decrease with larger councils, having looked at a lot of options such as award structures, precinct committees and so on. I am interested in your views about that issue.

Mr DAVID SHOEBRIDGE: I do not think that is a fair summary of Ms Munro's evidence. Her evidence was that there are ways of managing it so that you may not.

The Hon. BEN FRANKLIN: All right. My interpretation of her evidence was that she was strongly of the view that larger councils did not imply decreased representation.

Mr GARDINER: Thank you for the good question. It is something that I have looked at a little as well. But at the moment all we have to go on is the recommendations in the report which says it should be a maximum of 15 councillors for these enlarged council regions. We do not yet know what structures and

organisations and committees or boards may be put in place beneath that 15. This is why I think a lot of us feel very frustrated with the process that the outcome might be larger councils—

The Hon. BEN FRANKLIN: Those sorts of boards and structures potentially could help ameliorate some of your concerns.

Mr GARDINER: Yes. The community boards, for example, exist in Auckland or in the United Kingdom, some of the much larger councils which have an elected executive. For example, Bristol City Council has I think 60 councillors but it is run by an executive of those councils. That provides people with an input into local government. At this stage we are looking at—and I can only talk in the context of Marrickville's amalgamation proposals—an enormous local government area on present numbers of 331,000 people increasing to more than 400,000 over the next 20 years. It is very difficult to see how local people can feel attached to a local representative when it is such a broad area.

Mr ABELSON: I will make a couple of comments which again quotes from other historical research. Actually in the 1980s I did some research on the contacts that elected representatives had as a function of size with a population. In those days you made telephone calls, wrote letters or visited people. I did a complete survey of the whole of Sydney and the number of contacts from telephone calls, visits or letters halved as the number of voters, councillors—in those days aldermen—doubled. So you got half the amount of contact if you went from an area of 30,000 to 60,000, and half again if you went from 60,000 to 120,000.

The Hon. BEN FRANKLIN: I would respectfully suggest that in the 1980s there was not email and a whole lot of technological advances.

Mr ABELSON: That is, of course, true and I did qualify that. That got published in an American journal—it was peer-reviewed research. There is a limit to the amount of people. If I am seeing people 20 hours a week, corresponding and all the rest of it that is the maximum I can do. If I was in twice the size of area I would do half the number of people. I am sure that basic statistic is still the same in terms of visits, telephone calls and so forth albeit the metrics would change. Secondly, the question of having local boards or local powers, unless those local areas have some financial autonomy they become completely the agencies of whoever is running the big organisation. They do not have any real decision-making powers unless they have some financial revenue base.

Ms BRAY: Just to add to that. The amalgamation in Fairfield and Liverpool has a future population of more than 500,000 people which is bigger than three of our States—Tasmania, Northern Territory and the ACT. If that is local government and can be local representation it is the challenge for a population of that size.

Mr DAVID SHOEBRIDGE: Maybe you will get two senators.

The Hon. BEN FRANKLIN: Thank you for that. I found it very valuable. My next question is about smaller councils so it is probably appropriate to Mosman. I do not want to sound offensive in any way but I do wonder—

The Hon. ROBERT BORSAK: I told you it was coming.

The Hon. BEN FRANKLIN: This is not a self-interest question. I am quite happy to leave that to you, Robert. I wonder about the subsidy issue that in smaller councils a lot of residents live in the council area but they might use a whole range of services from other councils. Fairfield would be aware of this. They might work in other council areas. They might put their kids in child care or in a range of services. In effect, other councils are cross-subsidising small councils. I see a head nod from the Mayor of Marrickville and a shake of the head from the Mayor of Mosman.

Mr ABELSON: Businesses are an important part of the rate base. If some of our residents are working in North Sydney essentially they are part of the rate base there. North Sydney raises over 50 per cent of our income from the business rate base not from the residential rate base. If our residents are working in the city, the city has a huge rate base so I do not quite see how that cross-subsidy is working.

The Hon. BEN FRANKLIN: Certainly for businesses that is true but there is still a substantially increased pressure on other council services by residents from your council. I wonder about the cross-subsidisation issue.

Ms SCHWARZ: I think that happens everywhere now. We live in a time where people go many kilometres to go to work and for their recreation. So we have known that cross-border issue for many years that people might go to a regional park or to a café in a particular area. Libraries have always been open to be used by anybody who wants to use them. I do not think that is something that local government is sort of jealous of keeping things to itself because we all know that the boundaries are very fluid, especially in metro Sydney, and that we all use services and facilities across many different local government areas. If it did not work like that our city could not function because certainly in Newtown we rely on people coming to Newtown from other areas to recreate.

Mr DAVID SHOEBRIDGE: Far from being a drain it is actually a benefit often.

Mr SHERLOCK: Yes, exactly. I think it is a benefit.

The Hon. BEN FRANKLIN: I have three questions for Marrickville Council, one nice, one neutral and one a bit nasty.

Mr GARDINER: Can we start with the nasty?

The Hon. BEN FRANKLIN: Okay. I want to talk about rate pegging. A lot of people blame it for reasons why council is unable to raise the right amount of money and so on. In the past three years 64 councils have applied for and received rises above the approved rate, and the average for that is 8.4 per cent which is pretty significant. To me it appears that if people want, and there is a good reason for it, then it can happen currently. I wonder about the argument about it being a great problem. The second point is if it is the great solution, isn't the solution then just putting up rates and charges for our constituents which I would have thought is not a good idea in terms of public salesmanship?

Mr GARDINER: I think it was the Premier who said he is sick of politics in this country because we do not address the hard questions. The hard questions are that local government is receiving less funding from the State Government than ever before on a per capita basis and is receiving less funding from the Federal Government with the cuts to the Financial Assistance Grants. Local government has to work out how to raise its money itself, how to be more efficient and effective in what it does. The IPART process for special rate variations—every council will tell you—is a very demanding and taxing process. Whilst IPART was quite generous this round, in previous years it has refused applications and it makes its own assessment on whether it believes a rate variation is valid.

We did, as we have to, take our rate variation application to our community and consulted widely and listened to what our community said about rate variations. We made the application to fund infrastructure. At the moment IPART does not allow you just to make an application to increase your rate base generally; it has to be targeted, it has to be focussed. So whilst councils can go to the IPART and seek a rate increase it is not an easy process. It is certainly expensive in terms of manpower, resources and time to do that and the outcome is uncertain.

The Hon. BEN FRANKLIN: I guess the outcome that you would like to see is it is easier for council to raise rates on its own?

Mr GARDINER: Under the amalgamation proposals an amalgamated council has been told it will have an easier application route to an SRV.

Mr DAVID SHOEBRIDGE: Do you see any rational for that?

The Hon. BEN FRANKLIN: It is Government question time. I do have other questions.

Mr GARDINER: If I might expand on that. It does strike me as being somewhat incongruous that the answer to local government inefficiencies of not having enough money is to amalgamate them and then allow them to make an application for a rate increase.

The Hon. BEN FRANKLIN: As Professor Sansom has consistently said, there is a difference between scope and capacity and financial—

Mr DAVID SHOEBRIDGE: As well, the Government said that is what the witness is saying.

The Hon. BEN FRANKLIN: We will get to the neutral question.

Mr GARDINER: I am hanging out for the good one.

The Hon. BEN FRANKLIN: It is the discussion about it being much more difficult for Independents to get elected. Representing The Nationals and having been the State director of The Nationals for seven years, I wish that were the case in large areas for Independents not to be able to be elected. We look at Nick Xenophon in South Australia. What it would say is if people have the right message they will build community support. To me that is not a strong argument.

Mr GARDINER: At present local councillors in my area receive, I think, about \$15,000 or \$16,000 a year remuneration. No-one does it for the money and it is not a career. Local councillors are mostly part-time. Some are lucky enough to be older and semi-retired or work a couple of days a week but most of us balance being a local councillor on a voluntary basis whilst working fulltime, running businesses, raising families and participating in our local community at the same time.

The Hon. ROBERT BORSAK: Out of a sense of community duty.

Mr GARDINER: Out of a sense of community.

The Hon. BEN FRANKLIN: Which is fantastic.

Mr GARDINER: So it is a very different proposition to someone who is embarking on a political career and wanting to take a State Independent seat or a Federal seat. Nick Xenophon was a very popular local member on a single issue for a very long time.

Mr DAVID SHOEBRIDGE: We have named the one Independent in the Federal Government.

The Hon. BEN FRANKLIN: My nice question is, I really liked your idea about the community jury. Was that what it was called?

Mr GARDINER: Yes, it was.

The Hon. BEN FRANKLIN: Will you explain it to me?

Mr GARDINER: I might defer this one to my director who was much more involved in the process.

Ms SCHWARZ: There is a whole body of work being done about different models of participatory democracy. A community jury or panel is one of these types of mechanisms. There is a reflection of the community so people are drawn so that they actually reflect the composition of the community. It is almost like a very intensive hearing or assessment. They get expert input as different experts come and address them on a particular issue. Ours was the infrastructure question. They get a whole lot of information, they can ask questions and then at the end of the time they actually deliberate on what the answer to that question should be. In our case it was the level of infrastructure service that we were modelling our finances on. Quite a few councils have done it. Canada Bay has done it and a few other councils and it is a very participatory mechanism that really immerses a panel of citizens in decision-making.

The Hon. BEN FRANKLIN: If you have any information on it, without contributing to your workload, I would be grateful if you can forward it.

Ms SCHWARZ: Sure.

Mr GARDINER: We will make sure we send something to you. It was a wonderful process. In local government and I guess in politics more generally you hear from the noisy few and a broadly drawn panel allows you to hear the voices of everybody. It was a terrific experience.

The Hon. NATASHA MACLAREN-JONES: All three councils are of a very different size. I want to know the number of residents you each represent. Do you have an opinion as to the minimum or maximum size of a council?

Ms SCHWARZ: Our council is about 82,000 in population and approximately 16 square kilometres so it is quite compact and dense council. We are very highly regarded by our residents. Our residents feel very attached to our council. It is a very open system of government. We have many residents who come and address council formally. Any night of the week we have many advisory committees and different working groups that are happening so it is a very open level of government in a participatory that they can work with us. I do not have a view about a particular size. I have worked in a council with a population of over 200,000, then a medium-sized council and this is the smallest one. Certainly our residents have a love of us that I probably have not experienced before so people do feel very attached to us. Someone here will come up to me later and say, "I live in Marrickville and I love it." That is the sense that they get. They do have a very strong attachment.

Mr ABELSON: That is a really difficult question and it is partly a matter of topography. I think most people are happy to spend 15 or 20 minutes getting to a place to make inquiries about development applications or make a process, or come to a council meeting. In our case I do not think they would want to spend 25 minutes or half an hour driving across the Spit Bridge to get to Manly, for example. Obviously the school catchments give you some kind of idea of local culture.

I do remember once I was doing some work on a major development in Randwick. I was getting some flak about something and the developer said, "Of course, you have to understand that 80 per cent of the people who will be buying apartments here already live within three or four kilometres." How very striking. The people who wanted to live there were the people already in that three or four kilometre area. Whether it is three kilometres or six kilometres, being able to get into your office, into the council in 15 or 20 minutes and speak to people is obviously a very valued issue.

Ms BRAY: We are currently the third largest metropolitan council; we currently have an estimated resident population of just on 203,000. I guess in maximum size, we do not have a position on the ideal size but we have concerns about how big is too big to maintain local representation and local identity.

Mr GARDINER: I am not certain that a size is determinative. There is a range of sizes represented at this table. One thing we looked at when we were wanting to respond fully to the whole reform process was to engage with our neighbouring councils. We looked at the community of interests across council borders and we determined, for example, that with Marrickville and Botany, which adjoin, there was very little overlap between councils. Most of our residents from Marrickville did not cross the border into Botany and vice versa. There was a strong community of interest, for example, between Marrickville and the City of Sydney. That, surprisingly, is not one of the merger recommendations. So it is not a matter of size. It is a matter of where people live and how they interact with their neighbours.

CHAIR: I note that with the Dubbo Destination 2036 everyone was agreeable that working together was the way forward and that the ROCs were, in many ways, that vessel. JOs will probably be a mirror image of that. At the heart of that meeting of the mayors and councillors was that shared services and dialogue are very important even if there is breakdown in expectations. I have noted—someone has already mentioned this—with regard to Sydney city that every town or suburb, no matter how small, has its own identity. If you understand local government, base 101 is knowing that every town or suburb sees themselves as unique, and the minute that you get that wrong you are basically out of touch.

It is important to understand that, and I think it is understood around this table, hence the reason we are here. Secondly, if the Hon. Robert Borsak wants to watch more on mythical councils I suggest *Utopia* on the ABC. The final thing I want to address is size. One of the things is big is better and, of course, one size fits all. Anyone who has spent any time in local government knows that that is not the case. Sometimes big works; sometimes small works. I place on record that the Shooters and Fishers Party has two members and the Christian Democratic Party has two members, and we represent a ratio of 1:7.439 million. So getting around to all those people—

Mr DAVID SHOEBRIDGE: And it is not an easy job.

The Hon. BEN FRANKLIN: You do a great job.

CHAIR: It puts "green with envy" in another context. Once again, in my understanding of local government, not many people in local government do not have a heart for their local community. Thank you for what you do, thank you for your ownership.

Ms BRAY: I would like to finish on one note. Earlier today you said that the average ratepayer pays, I think, \$477.

Mr DAVID SHOEBRIDGE: No, \$499.

CHAIR: And we got that drilled into us.

Ms BRAY: When you think about what local government delivers on a daily basis—roads, rates, roads, parks and libraries—local government provides value for money.

CHAIR: But the social capital is even more important. In terms of questions on notice, you have 21 days to respond to those questions. There may be questions that come forward because of the discussion today, and the secretariat will help you with that. Once again, thank you for what you do for your communities. It is special. As Mr Sherlock started, I hope we have a lot of goodwill to get this right because this is the grassroots of our communities and it is important that they function well into the future for everyone's sake.

(The witnesses withdrew)

(Short adjournment)

JEFF TATE, Director, Jeff Tate Consulting Pty Ltd, affirmed and examined:

CHAIR: I welcome Mr Jeff Tate to this hearing and invite him to make an opening statement.

Mr TATE: I have come here to give evidence at the invitation of the Committee. I provided the Committee with one page of notes on Friday. I have strong experience in local government amalgamations. I managed the amalgamation of the City of Onkaparinga in South Australia in 1997. I became the chief executive officer-in-waiting six weeks before the amalgamation and managed the amalgamation process right through, remaining as chief executive officer until the end of October 2011. I also conducted a review of the New South Wales local government amalgamations of 2004 for the Independent Local Government Review Panel. Soon after that project I managed the de-amalgamation of Douglas Shire Council from Cairns Regional Council in Far North Queensland.

So I have managed both amalgamation and de-amalgamation and have some fairly unique experience in the breadth of my exposure to local government amalgamation. My focus today is really on the process of amalgamation. I have some views on the question of whether or not there should be amalgamations but I am sure you have heard many views about amalgamation. The comments I will make are in line with the notes I have provided the Committee. First of all, I think the context is very important. The work I did for the review panel was done on the basis of the existing policy of the Government, which was for voluntary amalgamations.

The amalgamation I was involved with in South Australia was done on a voluntary basis in the mid-1990s. But part of the context was that it happened soon after the compulsory amalgamations in Victoria. So although the process is held up as being a very good one, and I think it was in terms of process, and it was voluntary, over people's shoulder was the notion that if councils did not choose to go down the path of amalgamation then it may still have happened to them. So they could choose to do it and choose their marriage partner, if you like, or potentially face being forced to amalgamate with somebody in the future. So that context was very important.

Another important aspect was that the State government of the day and the Local Government Association of South Australia did some very good work together in relation to the facilitation of amalgamation. People were active on the ground at the local and regional levels to assist councils to work through potential amalgamations. It is always hard for a peak body like a local government association to come to a position on an issue like amalgamation. In South Australia they were quite smart in what they did in that they were very concerned about process. So they did not enter the debate about whether or not there should be amalgamations; they actually wanted to make sure that the process that was followed was a good process and that councils were being heard. I think one of the key lessons that comes from the work I have done is that there needs to be a partnership approach taken by the State Government and the sector. One cannot just stand outside and demand that things happen. That was also a finding in the review I did of the amalgamations of 2004 in New South Wales. The implementation left a lot to be desired. Councils were left to their own devices, and that is not satisfactory whatever happens.

CHAIR: Could you run through how you separate the tentacles of local government in a de-amalgamation process? What sort of flow chart do you work through to de-amalgamate councils?

Mr TATE: There were lessons I wrote up in the work I did for the Independent Local Government Review Panel and the same points apply. It was a very similar process. It was actually a bit simpler than amalgamation because amalgamation takes a lot of work. Things that you think you know you find out you do not know during the amalgamation process—all the stuff you take for granted that there is history and records for. You suddenly find there are no records about certain things, for instance. But, five years after the amalgamation, the de-amalgamation was a lot easier because there was more relevant up-to-date information which we could use. So basically it is the same lessons—the importance of communication, following a plan and the plan being fit for purpose. Some people like to have very detailed plans. There were four de-amalgamations in Queensland. In the one I managed we had a less detailed plan but it worked for us.

The Hon. PETER PRIMROSE: Do you support forced amalgamations?

Mr TATE: I came here to talk about process.

The Hon. PETER PRIMROSE: Do you support the process of forced amalgamations?

Mr TATE: I am a long-term local government person and my view is that, as much as possible, decisions should be made at the local level. People should make their own decisions. I am aware though that this is a major change for people and it does upset a lot of things to go through an amalgamation. So it can be very difficult to reach that decision. My preference is for the decision to be made locally but I also accept that members of State Parliament are elected with a wider mandate than individual members of local government areas. So if there is a need for change and the change is not happening without it being made compulsory then there are times when I think it would be appropriate to take that step. But it should be a last resort—it should not be a first resort. It should also come with the caveats that it needs to be a supported process, it needs to be properly worked through and people need to be treated with respect.

The Hon. PETER PRIMROSE: Are there lessons drawn from your review of the amalgamations in New South Wales in 2004 that you want the Committee to take into account?

Mr TATE: Yes, there are seven lessons that I detailed in my report. The first one is that there needs to be a partnership approach. The State and the local government sector need to be part of that partnering arrangement and the partnering needs to be with the councils involved as well.

The Hon. PETER PRIMROSE: Could you elaborate on what that means?

Mr TATE: The experience in 2004 was, as I said before, that councils were largely left to their own devices to go through the amalgamation process. I can contrast that with what happened in South Australia, and something similar happened in Queensland, where there were flow charts and all sorts of resources provided to assist individual amalgamations to occur. So councils were not left on their own always having to create something new. There were templates and so on which they could actually follow. Also in South Australia there were facilitators appointed to assist councils to work through issues. It was a partnership approach. They were offered to councils, councils accepted them and they came in and had those discussions. So it was seen to be more of a case of "we are here to help you through the process" rather than "this is what you are required to do—as of tomorrow it has all changed—go and do it".

The Hon. PETER PRIMROSE: Please continue with what you were saying in a moment. We heard this morning from the Office of Local Government that they could not advise us what the process would be, if there was a process, after IPART came up with their recommendations. Do you regard that degree of uncertainty as a positive thing in terms of the partnering approach?

Mr TATE: It depends in the scheme of things on the decision-making. By the time decisions are made you would need to have resources available to assist councils to amalgamate.

Mr DAVID SHOEBRIDGE: Would you find it strange that a government would not at this point in time have a process that the OLG would be aware of to follow this up? Would you find it strange that they would not know the next process, given where they are at?

Mr TATE: I think that there should be a road map as to where you go from here.

Mr DAVID SHOEBRIDGE: Does a good process have surprises in it?

Mr TATE: Not many. There will always be surprises. As I said before, there are things you think you know but you find out that you do not know.

Mr DAVID SHOEBRIDGE: So far as possible, surely a good process is finding out the surprises.

Mr TATE: As far as possible you take the surprises out. That is right.

Mr DAVID SHOEBRIDGE: So if councils have made their submissions for Fit for the Future to IPART but they do not know what the next steps are, surely that is one of the surprises that should have been ironed out by now.

Mr TATE: I do not have the detail of the background. I have been asked before whether I think there should be a process spelled out from here. I agree there should be a road map. The idea of having a proper process is to make sure that people know where they are at—that everybody understands that we are all on the

same page about what we are doing and why. That also includes communicating with people and keeping them engaged in the process, and making sure that key stakeholders are involved in the process. The process is a boring bureaucratic thing but it is extremely important.

Mr DAVID SHOEBRIDGE: Did you hear the evidence of the three councillors here earlier?

Mr TATE: No. I arrived just a little bit earlier. I have flown in from Adelaide today.

Mr DAVID SHOEBRIDGE: A fair summary of their evidence is that they have no idea what the next steps are. Do you think that that is satisfactory?

Mr TATE: If I was in their shoes I would want to know what the next steps are; yes.

Mr DAVID SHOEBRIDGE: You would want the residents to know as well, I assume.

Mr TATE: Yes.

The Hon. BEN FRANKLIN: Wouldn't you accept that we are at the stage where we are trying to work out whether the councils are fit or not? Once that happens, it is the appropriate moment to talk about what the process will be leading on from that.

Mr TATE: I do not know what is going to happen in New South Wales.

The Hon. BEN FRANKLIN: No-one does.

The Hon. PETER PRIMROSE: No-one does.

Mr TATE: I am here to talk about the process.

The Hon. BEN FRANKLIN: Surely there is a point in the process where we are still working our way through it.

Mr TATE: That is right. There was a similar situation with the four de-amalgamations in Far North Queensland. Once the decision is made, there needs to be a clear process to follow. When the decision is documented, rolled out and advised to people is a question for government. It is not for me to provide commentary on that. When it comes to the process to follow, I think I know a fair bit about it because I have been through it. I have been through it on the way in and on the way back—amalgamation and de-amalgamation. I have observed it and I have spoken to people.

With respect to the review in New South Wales I think it was the first time that some of the people involved had had an opportunity to offload onto somebody in a quasi-official capacity. They saw me as independent. There were some pretty difficult stories about bullying and the treatment of people. HR issues are very important. Treating people fairly through the process of amalgamation is really important. Keeping things moving is really important—not so fast that people cannot keep up, but not so slow that you keep the agony going. You really need to set some time lines. The amalgamation of Onkaparinga occurred on 1 July 1997. I made a commitment to staff that everybody would know where they sat by Christmas. I said, "Nobody will leave here on Christmas Eve not knowing whether they have a job or what position they are in." And we achieved that.

CHAIR: Do you think that that would be a justification for the Government putting in a quick process for IPART, which literally allocated one day per submission for processing if one person was doing it?

Mr DAVID SHOEBRIDGE: That occurred even if they were deemed as doing it.

CHAIR: Yes. Would you think that saying, "We are going this way; we are going to do it quickly and get on with it," would fit into that process?

Mr TATE: I think there is a balance. There should be enough time for people to be able to adjust to things and know what is happening but you need to keep it moving. That is why you need a plan.

Mr DAVID SHOEBRIDGE: You are saying about a situation once you have made a decision to amalgamate or de-amalgamate.

Mr TATE: Correct.

Mr DAVID SHOEBRIDGE: You are not talking about the key decision about amalgamation or de-amalgamation. I think we are talking at cross-purposes.

Mr TATE: Yes.

Mr DAVID SHOEBRIDGE: You do not rush in to a decision to amalgamate or de-amalgamate. You do that thoroughly and properly.

Mr TATE: Yes.

CHAIR: Can you explain to us how, in such a proper process, what actions are taken to make sure that everyone is on the same page? How do you identify when someone—the community or the council—is not on the same page of the process?

Mr DAVID SHOEBRIDGE: I would like to ask a clarifying question. Are we talking about once a decision is made, which you are implementing?

CHAIR: I am not talking about that now.

Mr DAVID SHOEBRIDGE: You are talking about the prior process.

CHAIR: I am talking about a comment that the witness made about road maps. He talked about proper process and having everyone on the same page at the same time to embrace whatever the change is. I would like to know: How would you identify that everyone is on the same page or whether the community, the council or the State has fallen off?

Mr TATE: I will just take one step back. The work I did identified that there were four basic stages. One was the decision—this was, as I have said before, in the context of a voluntary amalgamation—about whether you should or should not amalgamate. I made the point in my report that form follows function. So you decide what it is that you want of the local government, what is required of the local government. That should be a serious consideration at the start.

CHAIR: That evidence was delivered today on a couple of different occasions: what are the core roles and core functions? We should know what those are and what they are not. You may need another body to cover what is not required, if you want to address broader infrastructure changes. So that is consistent.

Mr TATE: The second step was planning for the change. Once the decision is made you then have a planning role. Then the steps are implementation followed by monitoring and evaluation. That is a management framework; there is nothing magical about that. It is also a major change project. The point I made in my report is that this is the biggest change that many people—employees or elected people working with communities—will go through in their careers. This is a massive change; it is not a small thing. Part of the planning is to have a communications strategy. That needs to be followed. You need to have somebody whose role is to make sure that the communication happens. You also need to be testing that communication—and testing with other people—and have an ear out. You have to be able to hear what people are saying, whether they feel as if they are being kept informed about things or not.

Mr DAVID SHOEBRIDGE: With respect to Port Douglas, can you explain what it was that led to the de-amalgamation. What were the reasons?

Mr TATE: One of the seven lessons that I drew out in my report was the need for a fresh start. Part of that fresh start is not about the status quo. In that case it was not about a large organisation taking over a smaller one. The Cairns status quo basically continued.

Mr DAVID SHOEBRIDGE: So, Cairns took over Port Douglas?

Mr TATE: It was an amalgamation, but effectively it was a takeover. It was not an even amalgamation. They were very differently sized organisations. Part of the point I would make about a fresh start is that—we were very clear about this in Onkaparinga—you need to manage it as a region. Look at it as a region. Cairns regional council covers a region. You need to recognise that within that region different communities have different aspirations. I was here when the Chair made that point before. The Chair's comments apply whether the council has a population of 5,000 people with three distinct communities, or 500,000 people with 100 distinct communities. It is the same thing. You need to value and respect those local different communities.

Mr DAVID SHOEBRIDGE: I was asking you about Douglas shire and the de-amalgamation. Can you focus on that: What were the reasons for de-amalgamation and were they valid?

Mr TATE: As you may be aware, a number of people in Queensland communities were not happy with the amalgamation process. They were forced. They were announced overnight. It was a pretty heavy hand of government to bring them about. A number of people in the Douglas area agitated for change. They kept going and going, as did people in a number of different communities across Queensland. The Government eventually agreed to hold polls in four areas that would be binding. The polls were all carried.

Mr DAVID SHOEBRIDGE: We heard some evidence earlier that only a small number of councils resolved to have de-amalgamations. Was that driven by the State government, which only allowed polls in four areas?

Mr TATE: The State Government agreed to have polls in four areas.

Mr DAVID SHOEBRIDGE: Of those four areas, how many voted to de-amalgamate?

Mr TATE: Four.

Mr DAVID SHOEBRIDGE: One hundred per cent.

Mr TATE: Yes. The polling was interesting. Douglas was 57 per cent in favour; 43 per cent against. Two other areas were about 60:40. I think Noosa and Sunshine Coast was about 99.5 per cent in favour. They are still looking for the small group of people in Noosa who voted against it. There was a very strong feeling at Noosa.

Mr DAVID SHOEBRIDGE: What were the reasons?

Mr TATE: I was trying to get to that point; I know I went around the cape a little bit.

Mr DAVID SHOEBRIDGE: I did not help.

Mr TATE: I will go back to Onkaparinga. It is the southern suburbs of Adelaide—518 square kilometres and 160,000 people. The mass of the population is in urban areas but two-thirds of the land mass is rural and small townships. McLaren Vale is one of them. There are coastal townships, heritage townships and all sorts of different communities. The way to deal with that situation is to respect that they are different and deal with them as different communities. So 90 per cent of your business is across the board—that is fine—but there is always room for different responses in different communities. The people in Douglas, led largely about the Port Douglas community—the voting was stronger in Port Douglas in favour of de-amalgamation than in the outlying areas—felt that they were not being listened to. They felt that they had been swallowed up by Cairns. They were disgruntled about that.

Mr DAVID SHOEBRIDGE: When you got there to manage the de-amalgamation process, what was the legacy of the amalgamation? Had things been travelling along well? Were there administrative problems? Was uncertainty creating a problem?

Mr TATE: Cairns invested a lot of money in infrastructure. Douglas had let the infrastructure run right down. Bridges there are a huge issue. When it rains the water courses. There are very large bridges, which are often removed by storms. It is big. It is very different to more suburban settings. There were positives and negatives to the legacy of Cairns. The positive was a much stronger focus on infrastructure, the core business of

the council. I do not think their way of doing business suited a small community. Port Douglas is 50 or 60 kilometres from Cairns. It is a beautiful drive along the coast, but the access is not easy.

Mr DAVID SHOEBRIDGE: It is a good hour's drive.

Mr TATE: It is at least an hour, yes. The way that Cairns did business internally was not really suitable for a community like Port Douglas.

Mr DAVID SHOEBRIDGE: So they had valid reasons. What was the cost of de-amalgamation?

Mr TATE: It included about \$1 million in staff redundancies. The continuing council was able to transfer a certain number of staff. The chief executive officer of the Cairns council got to choose which staff went to Port Douglas. Some of those people were not suited to the roles that they were given.

Mr DAVID SHOEBRIDGE: That sounds like a fraught process for the receiving council, if the chief executive officer can choose who out of the organisation to remove.

Mr TATE: It left us with some people who were not able to be placed in the organisation, so there was over \$1 million of redundancies from that.

Mr DAVID SHOEBRIDGE: Who paid for that?

Mr TATE: The Port Douglas ratepayers. The other costs were about \$2 million. The total de-amalgamation costs were about \$3 million.

Mr DAVID SHOEBRIDGE: Who paid for the rest of it?

Mr TATE: The Port Douglas ratepayers.

Mr DAVID SHOEBRIDGE: How would you describe the current functioning of Douglas Shire Council, now that it has gone back to its small size after having paid for what the State Government visited upon it?

Mr TATE: I still have connections there. The issue for Douglas Shire Council is going to be: can it be financially sustainable? That is the big question. In my view, the jury is out on that. I do not think it is clear that it will be. I was acting chief executive officer for a couple of months while we appointed a chief executive officer. I was very strong on encouraging them to have a plan within a plan—a financial sustainability plan within their strategic plan. For a couple of years that is what you focus on. I do not think they have followed that advice. Their rate increases have been fairly modest. They probably should have gone a bit harder with their rates, to make sure that they could bridge the gap. There is a gap at the moment in their financial sustainability.

Mr DAVID SHOEBRIDGE: But there is scope there if they grasp the nettle and increase rates.

Mr TATE: They will have to hit the rates pretty hard, I think.

Mr DAVID SHOEBRIDGE: What about the community of interest? Is it a better representation of the community of interest than the amalgamated body?

Mr TATE: I covered community of interest in my report. If you read the academic material about community of interest you will see that it is a slippery concept. Communities of interest are argued that way or that way, depending on where you sit. At one level, if you take a broad view of Far North Queensland as a region, there is a very strong community of interest between Cairns and Port Douglas. If you take it as a more localised approach, it is not so strong.

The Hon. BEN FRANKLIN: Mr Tate, you talked about the level of support from government for the process. Are you aware of the level of support that the Government has offered through Fit for the Future?

Mr TATE: I was aware that some financial incentives were being provided.

The Hon. BEN FRANKLIN: There is \$258 million in direct investment to support councils that are ready to undertake mergers. There are various amounts to support regional councils. Knowing the process as you do, do you feel that that is the appropriate level of support?

Mr TATE: I would love to have had a share of that in Onkaparinga. We did not receive anything; there was nothing like that at all. The support I was talking about was in facilitating the process of decision-making and having the tools available—templates and advisory services—to assist people through the process. I was not talking about the financial incentives.

The Hon. BEN FRANKLIN: I understand.

Mr TATE: I did comment that one of the seven lessons was to try to minimise the barriers and add incentives. I was aware that some money had been allocated for capital works.

The Hon. BEN FRANKLIN: So this is the sort of thing that you were talking about.

Mr TATE: This is certainly about adding incentives. Removing barriers is difficult. There are particular industrial issues, and I understand and respect them. There is also the issue of retaining staffing levels in country towns and smaller communities. I understand that. On staffing, there seems to have been a different interpretation among the councils that I have dealt with about paying employees to travel to work after amalgamation. Some seemed not to be doing it; some were. It struck me as odd that eight years after the event some people were still receiving money to drive to their place of work.

The Hon. BEN FRANKLIN: So if that idea were put into practice it should be very much a transitional arrangement?

Mr TATE: Yes. In an industrial system you would normally negotiate a lump sum early on, then it would conclude.

The Hon. BEN FRANKLIN: On a different issue, in your evidence you talked about the need to manage this process as a region. You noted that within a region there are differing and distinct communities. In your view, can the management of that be achieved successfully with larger councils, those with 200,000 or 300,000 people in their area?

Mr TATE: Yes, it can be. However you view amalgamations—as the best thing ever or evil—they provide a framework to operate in. What you do with it then becomes important. It is really important that it is a fresh start. It is really important that individual communities are treated as individual communities. You will not hear me say "the community" because there is no such thing. We deal with a series of communities. Amalgamation on its own is neutral. It is not good or bad. It is what you do or do not do with it that is the upside or the downside.

The Hon. NATASHA MACLAREN-JONES: I want to find out more about the research you have done comparing New South Wales with some of the other States and Territories—for example, looking at the size and number of councils and the efficiencies.

Mr TATE: I did not measure efficiency. It was not part of the project. The amalgamations in Queensland set up, on average, the largest councils in Australia. There are some very large councils in Queensland. If you are looking for comparisons, that is probably the best place to do it, at the upper end. The voluntary system in South Australia led to some pretty strange results. It was very good and fitted my principle of trying to have a decision made locally, but it led to Onkaparinga, with a population of 60,000, and Walkerville, with a population of 6,000, both having all the functions of metropolitan councils. That is a bit odd. The downside of a voluntary system is that you do not get the rationality that comes with having a stronger hand in the process.

The Hon. NATASHA MACLAREN-JONES: What about the number of councils? Are Queensland and Victoria comparable?

Mr TATE: Yes. Queensland and Victoria have similar numbers of councils now.

The Hon. NATASHA MACLAREN-JONES: How does New South Wales compare?

Mr TATE: New South Wales has a lot more.

The Hon. NATASHA MACLAREN-JONES: In your opinion, have mergers brought benefits?

Mr TATE: The point I was making a moment ago was that they can, but it really depends on how you do it. You need to manage it well, make a fresh start and think about the business you are in. A really important point is equalisation of service levels. It is a hidden, bureaucratic matter but it is really important. Equalisation of infrastructure, rating, employee benefits and wage levels are all important considerations. If you plan properly and take a fresh approach to running the business then, yes, it can be very successful. I was the chief executive officer of Onkaparinga council for 15 years and it was a very successful amalgamation. We made a fresh start. We thought about what we were doing. It was a completely different way of doing business. We did not take on the habits of the former councils. We started again. If you do that, it gives you the best chance of success as a new organisation.

The Hon. BEN FRANKLIN: You reviewed the 2004 amalgamations that happened in New South Wales.

Mr TATE: Several of them, yes.

The Hon. BEN FRANKLIN: What were the main points from that process that we should be aware of?

Mr TATE: I would say, do not follow that process again.

The Hon. BEN FRANKLIN: They were amalgamations predominantly forced by the last Labor Government?

Mr TATE: The colour of the government is irrelevant to me.

The Hon. BEN FRANKLIN: I am contextualising in my own mind.

Mr DAVID SHOEBRIDGE: It was 2004; you are right.

Mr TATE: You can do a lot better with process than what happened in 2004. I am sure that, with the learning from that, you would. I imagine that you would go through better process this time.

CHAIR: Mr Tate, you made a pretty strong statement that you would not do it that way again. What did you learn in 2004 that you would not do again?

Mr TATE: Every council I visited told me that they had received a fax telling them that as of tomorrow they would be out of business.

Mr DAVID SHOEBRIDGE: You would do it by email.

Mr TATE: Twitter. The world is not so busy that we cannot ring when that sort of process is happening. If you are going to make an announcement, then have the courtesy to make contact personally. One person in particular was still talking about it eight or nine years after the fact. That was someone who had been a long-serving council member, president of the shires association, and had received the same as advice as everybody else. The faxes all went to the council office and the council staff had to deliver them. The way that the information is relayed is really important.

There needs to be a process to follow. When I went to councils I asked them to show me the plan that they used. Most of them did not have a plan. Most of them were left to their own devices, but I think they should also have developed something. One of them had a checklist, which was good. There is a list of things to do when amalgamating, such as changing the post office box number and getting a new Australian business number [ABN]—that is at the minor end—through to the deeper level. Having support is really important.

The Hon. LOU AMATO: Could you elaborate on your experience of working in the larger councils in South Australia? I know you touched on that a little bit but could you elaborate further?

Mr TATE: The City of Onkaparinga is the largest council in South Australia with a population of over 160,000. In context that is over 10 per cent of the State's population. It is not a big populous State, as you would be aware. The big benefit for me from the Onkaparinga amalgamation was the capacity to do things. We took on some very large projects. We did some very large stormwater projects that had been in the too-hard baskets of the three former councils for many years. None of those former councils would have had the capacity to do that.

The Hon. LOU AMATO: So the South Australian community did benefit from that merger?

Mr TATE: Well, the Onkaparinga community certainly did, and it was the capacity.

CHAIR: Was there a straight rate crossover, did you have to increase rates to meet that stormwater need or was there a special stormwater levy that was collected so that when you merged them all that enabled you to address that matter? What was so different about that situation that gave you the capacity to undertake the project and especially finance it?

Mr TATE: The capacity that I am talking about was largely about the staff resources, the quality of the people we employed with the specialist skills to manage the project.

CHAIR: So no one council would have held the skills to deal with that?

Mr TATE: No.

Mr DAVID SHOEBRIDGE: But if they had worked collaboratively with the joint organisation they could have?

CHAIR: Nodding will not help. Could you put on the record your answer?

Mr TATE: Sorry?

CHAIR: My question was: no one council could have had the skill set to manage that matter?

Mr TATE: That is correct.

Mr DAVID SHOEBRIDGE: But if they had had a collaborative joint organisation to address that, they could have addressed that?

Mr TATE: They did have a collaborative joint organisation. There was a region of councils.

Mr DAVID SHOEBRIDGE: Did it have statutory force?

Mr TATE: I beg your pardon?

Mr DAVID SHOEBRIDGE: Did it have statutory underpinning or was it voluntary?

Mr TATE: It was a voluntary regional body.

Mr DAVID SHOEBRIDGE: So if they had had a robust statutory one which was not voluntary they could have done it that way, could they not?

Mr TATE: Theoretically, yes, but practically I doubt that would have happened.

CHAIR: Unfortunately time has expired. Thank you for your professional presentation as to your experience. It will be very helpful in our considerations. I do not think you took anything on notice but if there are further questions from the Committee we will certainly get the secretariat to pass them on. They will assist you in taking that on notice and you will have 21 days to deliver the information to the Committee. Thank you for taking the time to give evidence. Your experience is diverse. I do not think we will have too many presentations from people who have demalgamated councils so thank you for your time.

(The witness withdrew)

CORRECTED

TIM WILLIAMS, Chief Executive Officer, Committee for Sydney, sworn and examined, and

EAMON WATERFORD, Head of Strategy and Advocacy, Committee for Sydney, affirmed and examined:

CHAIR: Would either of you like to make an opening statement? If it is too long, we can table the document.

Dr WILLIAMS: I would like to read it into the record, if that is okay.

CHAIR: As long as it is not overly long.

Dr WILLIAMS: Thank you very much for asking us to do this. It is a very welcome process. The document we put before you is unusual in that the Committee for Sydney is an idiosyncratic organisation in many ways because we have a mixture of global companies, local companies, creative and cultural industries, organisations, sports and culture but also some local authority members, so we are a very mixed organisation. The Premier referred to us earlier on in the year as challenging the city to be great. Our perspective is that we need local government amalgamations for reasons that we will give, we need greater collaboration across metropolitan Sydney for reasons we will give but also greater collaboration between often very silo-central or State Government and empowered councils.

I come before you with a slightly unusual background in that I actually was involved in doing local government reorganisation in the United Kingdom in 2006-07 and it came to fruition in 2009 and I will talk a little bit about that. We would like to see fewer but stronger councils with more resources, powers and capacity, some form of metropolitan governance for Sydney with greater coordination between councils and State government at the greater Sydney level because we think there are serious challenges which cannot be addressed by a fractured local government system. We are going to read into the record some research we have done with the OECD which shows that the fractured nature of government looked at internationally leads to productivity problems and equity problems in our city.

We have got a number. We think that the fractured system of government in Sydney leads to a 6 per cent drop in productivity from what it might be and that is \$20 billion, which is equivalent to the poles and wires every year, so this is not a small matter. We want to see greater alignment between reform of local government and the planning system. We also would like to see, because there are some international examples from the United Kingdom for example, of devolution to cities from State government, city deals, so we are going to talk a little bit about that.

The committee welcomes the urgency and focus brought by the Fit for the Future process and we think we might be on the cusp of some real use for governance reforms for Sydney, not just in terms of amalgamations but the Greater Sydney Commission, which the Government is looking at as a coordinating initiative. We believe that all the available research that we have seen indicates the proposition that a metropolis with small-scale fractured governments damages both equity and productivity, so essentially local government is too small and State government is too big to do the job for metropolitan Sydney.

I refer you to page 5 of the document just to show—and you may have seen this before but there are actually nine councils down Parramatta Road, which for us symbolises the challenge of metropolitan coordination. We just have not got the structure right to face up to our metropolitan challenges. The chart below shows you the scale of Sydney governments, local councils, in relation to London and London also has a coordinating mayor, so 32 plus one equals more than the sum of the parts, we think. I will just go quickly through the document because I want to get to some research which I think is new and different.

We made some submissions previously along the lines that I have said and we would just like to read that into the record for the moment. If I go to page 11 of our document, halfway down you will see fundamental propositions that we want to see stronger, bigger, more empowered councils. We are not against councils in the Committee for Sydney; we just think they need to be bigger to deal with the challenges that are in front of us and they are not resourced to do that. We have seen great examples internationally of councils, when they are resourced, what they can do in managing our city.

Page 15 shows some of the international evidence to which I want to now talk quickly. In America now there is a big move that the fragmented government they have inherited from the nineteenth century is

undermining their capacity to run their cities. So the big collaborative tendency is going and amalgamation is coming in American cities. Over the page we did some international work with the University of Canberra to look at some governance comparisons with other cities and we do not come out as having either big enough councils or metropolitan self-governance.

As I moved towards concluding our opening statement, if you look at page 19, this is a killer, it seems to us, of international evidence. This is from a very serious piece of research by the OECD that looked at five countries and the bottom line fundamentally is that cities with fractured governance have GDP consequences which are adverse and they actually put a number to this. They say that fractured governance can lead to 6 per cent lower GDP for your city; that is \$20 billion in the Sydney context.

Mr DAVID SHOEBRIDGE: That is the worst case?

Dr WILLIAMS: That is the average. What they actually say is that if you have metropolitan governance, that can eat half the loss of productivity back, that is, greater coordination and collaboration across your city can actually make progress in that respect. For the second study that we had commissioned recently, we had Greg Clark, another OECD adviser, who came and he is actually advising the New South Wales Government on the Greater Sydney Commission. The bottom line on page 20 states that "42 municipalities with weak powers is too many for coherent and proactive local governance and services in Sydney". As we go towards the end of this presentation we look at some of the challenges that just show that we really have not got the kind of structures right to deal with them.

If I might refer to pages 24 and 25, we know about the housing affordability issues of Sydney but actually what we are seeing, for example, in the top chart is that some of our migrant communities and poorer communities are living right at the edge of our cities and these are very big social forces shaping our city at the moment. The top of page 25 is about the fact that 82 per cent of taxation from Sydney goes to the Federal Government so we are not funded to deal with some of our challenges as well. The bottom is a really interesting proposition about what is going on in Sydney. The purple chart is residential development going westwards but the orange chart is the jobs going eastwards. These are fundamental forces shaping our city. Our current local government structure is actually completely irrelevant to deal with this but could be made more relevant to deal with this.

Over the page I will stop at the evidence at this point on page 26. We know this is true. Where are the homes being built in Sydney? Not where the jobs are. This is the great structural pressure at the heart of our city. We need collaboration between empowered local government and State government to actually do something about. The punchline is on pages 28 and 29—actually quite a fractured but divided city. The red is not good at the top—sorry, the red is the advantaged areas; the grey is the disadvantaged areas in Sydney so we have a big structural divide in our city. We need to call it out and we need to think about it. The charts in the rest of the section show the health consequences of that split. There is a geography to health disadvantage in Sydney.

We have got these big structural problems that we think government needs to work together to solve. Towards the end—Paris—who is changing? Out there globally, Paris is moving from a council of two million to seven million. Why—we put the evidence in there—because they want to deal with their big structural flaws as a city that they do not think that their current local government structure can deal with. Paris is growing three times. Auckland, we know, has gone from seven councils to one. Why? Because it wants to be able to deal with these big structural issues at the heart of the city's outcomes.

The United Kingdom is very interesting. One of the more centralised polities on the face of the planet is now actually negotiating city devolution. Who are they devolving to? They are devolving to groupings of councils coming together at scales, so Manchester has got 10 councils coming together. What are they giving them—responsibility for transport, housing, planning, policing; my point being that this debate is not just about what local government needs to improve on but what we need to do is create better structures between local government and State government.

The last bit of the document actually plays to some of the experience in the United Kingdom amalgamations. Just to go into some pragmatic detail, I was involved in this process for a number of years. I was a special adviser to the United Kingdom Local Government Minister. Page 38 shows the audited benefits from amalgamations in areas like Shropshire, Durham, Cornwall and Wiltshire and they are significant. They are probably in the order of 8 per cent or 10 per cent annually. Nobody doubts that amalgamation is a difficult process, by the way, and not all the returns will come in two or three years.

We think there are financial returns but we think there are strategic returns—but there are financial returns. We look at some of the saving opportunities here—typically consolidation, information technology [IT], back office and stuff that you would expect. Implementation costs are significant but we think recoverable in three to four years. That is what we say in our document. I would like to point you to strategic opportunity on page 40 because we think there is an over-emphasis on immediate financial returns but an under-emphasis on long-term strategic impact. There is a list there of some of the strategic impacts that we identify.

The last thing is about shared services. Obviously it would be a fool who would reject the idea that existing council structures can work better together to try to deliver benefits to their communities. We set out there are some of the things that you can do with shared services, and they are very welcome. I think what is wrong with the idea is actually what we want to see is business process re-engineering. But the trouble with the shared services agenda is in a sense it is about modernising the existing delivery approaches. Actually what we need to do is to see more innovation which we think can come from more fundamental reorganisation rather than shared services. So it is not to be sneered at, but actually they may be insubstantial in comparison with the games that come from a more organic transformation.

To the conclusion: We obviously strongly support amalgamation. We strongly support greater coordination. We do so because we believe in local government and are not opposed to it, but we think that there are major structural challenges in Sydney which cannot be tackled by the current local government structure.

CHAIR: Dr Williams, you do not think that the Greater Sydney Commission can work or coexist with these councils to address the issues of the twenty-first century?

Dr WILLIAMS: We have been strong supporters of the Greater Sydney Commission and we do think it is going to be a significant step forward. London, after all, has 32 councils although they are much bigger than the average Sydney council. It is more that we think that some of the flaws we see in Sydney cannot be grappled with just by the Greater Sydney Commission but need stronger partners in local government as well. So we are supporters of both processes.

CHAIR: That is my point. Can the existing councils not be part of the stakeholder group that has dialogue with the Greater Sydney Commission?

Dr WILLIAMS: Yes. We have been very strong supporters, by the way, of making sure that local government is involved in the governance of the Greater Sydney Commission. I think there is some idea that there might be some sub-regional groupings of councils.

CHAIR: Yes.

Dr WILLIAMS: I do not think 32 are going to be represented, but I think there will be sub-regional groupings.

CHAIR: You are still of the view that we still have too many councils in Sydney.

Dr WILLIAMS: Too many councils, but we strongly believe that they should be involved as bigger entities in the reformed structure for Sydney.

The Hon. PETER PRIMROSE: I think that this is a substantial submission. I will enjoy reading it, but I cannot read it when it has just been handed to me and ask you any sort of sensible questions.

Dr WILLIAMS: I understand.

The Hon. PETER PRIMROSE: But I will read it.

Dr WILLIAMS: Thank you.

The Hon. PETER PRIMROSE: I look forward to that and I appreciate the fact of the work that you have put into it. The only question I may ask is in relation to your recommendation on page nine. For example,

can you just elaborate your specific reasons why you believe Liverpool, Fairfield and Bankstown councils should be amalgamated?

Dr WILLIAMS: It is in the context of we think that when we originally wrote—this is an original submission that we wrote earlier on in the process before there was a proposition that they would not include the three—we were strongly supportive then of the three. I think on reflection that at the very least the two make sense. We would still welcome the third to be included but I do think the geography issue—we make the point, which I did not say in my oral submission; we were very keen a year ago when we made some of these submissions—should be dealt with by an independent Boundaries Commission because we do not think all the evidence is in about the geography. We are in favour of the principle of amalgamations and scale but we do not know that the geography has been entirely nailed down. We believe that some subregional grouping in that area is critical, but we do not think the evidence is in yet about whether it should be Bankstown in or Bankstown out.

The Hon. PETER PRIMROSE: Do you think that there needs to be that Boundaries Commission process?

Dr WILLIAMS: We have formally said that and we still believe that that actually is a useful part of a process—to try to obviously raise the geography above and beyond politics.

The Hon. PETER PRIMROSE: Talking about local politics, what role do the wishes of local residents take in your proposal? How would you evaluate that? Would it be through the Boundaries Commission process?

Dr WILLIAMS: Yes. We have been and still remain formally in favour of a Boundaries Commission process for determining the geography and for taking into consideration the will of local communities. It is interesting, just as a British experience which may or may not be relevant, but when we tested opinion before and after people were usually either very complacent afterwards, thinking "Well, we didn't even notice the change had taken place", or they welcomed the reform. So I think we should test before and after.

The Hon. PETER PRIMROSE: We know what happened in Queensland when they did that.

Dr WILLIAMS: But it does not always happen like that.

The Hon. PETER PRIMROSE: Yes, that is why the Boundaries Commission process is important.

Dr WILLIAMS: We are formally in favour of it.

The Hon. PETER PRIMROSE: Thank you. They are all the questions I have. Again, I appreciate the submission. I have read your material before and found it very well researched and appreciate the opportunity to go through this in great detail. Thank you.

Dr WILLIAMS: That is very kind of you. Thank you.

CHAIR: I just note in your concluding statement on page 44 that you state:

The criteria for "Fit for the Future" is sound, but only looks at the financial strength of local councils. We are adamant that the real gains in amalgamation are not in the short-term balance books of local areas, but the ability to successfully address the metro-level issues our city faces.

One of the parts of the evidence that we are getting through is virtually that there is a grave concern about the Greater Sydney Commission being all about land use strategies rather than a whole bunch of other needs—service provision, social provision like Meals on Wheels or ageing in place and different things that need to come together. Do you have a view on that?

Dr WILLIAMS: Yes, I do. My understanding is that the Greater Sydney Commission is about cross-government coordination and the management of growth, or at least it should be.

CHAIR: Not just on land use but a whole plethora of issues.

Dr WILLIAMS: No, not just on land use because the real issue and why communities often oppose growth is because of the lack of coordination of government delivery. It is critical, I think, for that to be an

integral part of the Greater Sydney Commission process, so it should not be just within the planning department. It should be cross-government. That is the trick, I think.

CHAIR: Would you have a view that that would be made possible by those who would be appointed to that commission? What would a commission look like, given your great experience? What would that commission look like?

Dr WILLIAMS: We have argued in submissions that there should be a strong element of independence in terms of the commissioner or some of the commissioners. We think there needs to be two, three or four government departments sitting around the table.

CHAIR: Such as Housing, Transport, Infrastructure?

Dr WILLIAMS: Such as Housing; Transport is pretty critical; I think Education is pretty critical because often communities worry where there will be school places when we grow our communities. I think that needs to be considered.

Mr WATERFORD: Health.

Dr WILLIAMS: Yes. It would best be the integration people in this discussion. We think there is an opportunity to get the top-down stuff right. I want to make a plea on behalf of local government. They get it in the neck often for things that are about siloed government—State government failing to deliver. Our argument is that siloed State government will pay attention when there is somebody big enough to deal with them.

The Hon. BEN FRANKLIN: Can I just paraphrase?

CHAIR: Yes. We have a few minutes.

The Hon. BEN FRANKLIN: Do I understand that you would like, basically, to solve these issues as a whole-of-government approach and you contend that that would work better with fewer councils in Sydney.

Dr WILLIAMS: Essentially, yes. I wish you had written our submission.

Mr WATERFORD: It would have been shorter.

The Hon. NATASHA MACLAREN-JONES: Just to follow on from the question about fewer councils in Sydney: Do you have a preference for the number of councils? Would you like to elaborate on that?

Dr WILLIAMS: In our formal submissions we knew that our sums came up with 15, I think—15 or 16. Relying on our OECD adviser who came recently, Greg Clark, we thought fewer than that. Actually what we thought was the biggest issue was to make sure that if you had six sub-regions within Sydney, for example, why would you not have six sub-regional groupings of councils? For us the issue is alignment. Actually we take the view that local government should be heavily involved in the planning process, but alignment between the structures of governance and the planning process needs to be as close as possible. We have always argued for fewer than the 15 but we take the progress that it represents. I do not think this is the end of the process. I know that might sound alarming for many, but we think devolution and the evolution of the structure of our city is an evolutionary process. But it is a step forward to go from 41 to 15.

Mr DAVID SHOEBRIDGE: Thank you for the submission, Dr Williams. Like Mr Primrose, I will read it in due course.

Dr WILLIAMS: Thank you.

Mr DAVID SHOEBRIDGE: The Hon. Lou Amato asked some questions of Local Government NSW about where its funding source came from to understand if they had a conflict of interest.

Dr WILLIAMS: Okay.

Mr DAVID SHOEBRIDGE: Local Government NSW was very clear: they said they get funded by councils. I will ask the same question of the Committee for Sydney.

Dr WILLIAMS: Yes.

Mr DAVID SHOEBRIDGE: Who funds you? I ask so we can get an understanding of your interests.

Dr WILLIAMS: That is why I said at the beginning it is a mix. I was very explicit about it. We have 95 members, of which four are councils.

Mr DAVID SHOEBRIDGE: Could you provide us on notice with a list of who funds you?

Dr WILLIAMS: We will, yes, absolutely. It is on our website and we will do that.

Mr DAVID SHOEBRIDGE: You say you have some evidence that when you compare us through some OECD research there is a substantial degree of administrative fragmentation in Sydney. Is that right?

Dr WILLIAMS: Yes.

Mr DAVID SHOEBRIDGE: The OECD, when they look at administrative fragmentation, they look at the number of local governments per hundred thousand of population and they do rates.

Dr WILLIAMS: That is what they use, yes.

Mr DAVID SHOEBRIDGE: They did a very detailed study of that in 2013, the OECD.

Dr WILLIAMS: Yes.

Mr DAVID SHOEBRIDGE: They had a look at the number of local governments per hundred thousand of population across the OECD and they found that the OECD average of the large metropolitan regions in the OECD of 500,000 people or more, the OECD average was 3.7 local government areas per hundred thousand. Do you know how many Sydney has per hundred thousand?

Dr WILLIAMS: Actually, it is your four million divided by 40 gets you 100,000, so—

Mr DAVID SHOEBRIDGE: One.

Dr WILLIAMS: Yes, yes, yes.

Mr DAVID SHOEBRIDGE: The OECD average is 3.7.

Dr WILLIAMS: Yes.

Mr DAVID SHOEBRIDGE: And we are one. So we are about one-quarter as fragmented as the OECD average. I put it to you that you are actually misrepresenting the comparison and the OECD research. On an OECD basis, we have a very non-fragmented metropolitan local government sector.

Dr WILLIAMS: No. I disagree with that because I think that essentially what the proposition is about, I think, is that they are using the hundred thousand inhabitants. But I think the general proposition of the research, which I have actually got Mr Aron's work on our website—and he is actually coming to speak to the Committee for Sydney—is the issue of fragmentation in terms of the powers across metropolitan areas. I take your point about the relative condition of Sydney but the absolute proposition is that the more fragmented you are the less capable you are of delivering productivity across the city. That is his proposition. That remains his proposition.

Mr DAVID SHOEBRIDGE: If you compare Sydney to every other country in the OECD, there are only five countries in the OECD—Japan, Chile, Mexico, the United Kingdom and Ireland—that have less administrative fragmentation. There are only five. You seem to have forgotten about the other 30-odd starting with the Czech Republic, the Slovak Republic, Switzerland, France, Austria, Portugal, Hungary, Germany, Estonia, Slovenia, Korea, Spain, Italy, Belgium, the United States, Poland, Denmark, Canada, Greece, Norway, the Netherlands, Sweden and Finland. They have all got substantially more administrative fragmentation. Did you just forget that in your submission?

Dr WILLIAMS: No, but I think that just as I will take your views under advisement—

Mr DAVID SHOEBRIDGE: It is not my "views". It is the OECD research.

Dr WILLIAMS: No, no. Look, I think the proposition remains. I think Aron is still reliable on this proposition.

Mr DAVID SHOEBRIDGE: But you misstated it.

Dr WILLIAMS: No. We have represented his findings accurately because he looks at five countries across the world and he makes a substantive proposition, not just about the five.

Mr DAVID SHOEBRIDGE: What? Did he look at Japan, Chile, Mexico, the United Kingdom and Ireland?

Dr WILLIAMS: I think we disagree about this because he does not just talk about the five. He makes a substantive proposition.

Mr DAVID SHOEBRIDGE: It is not a matter for argument. It is OECD research.

Dr WILLIAMS: Look, we agree to disagree.

Mr DAVID SHOEBRIDGE: No, we cannot agree to disagree. Here is the research. I will show it to you.

Mr WATERFORD: Can I point out that the 6 per cent that is listed in this research is a relative ratio: that increases in fragmentation lead to increases in productivity loss. That is regardless of the level of fragmentation you are starting from. It is a doubling of fragmentation results in 6 per cent decrease in productivity.

Dr WILLIAMS: Surely that is the answer to it.

Mr WATERFORD: Whether you start from the base of where Australia is indeed at one per a hundred thousand or whether you start at where, for example, the average is at 3.6 per hundred thousand. Given it is a ratio, it is not specifically stating that because we are less fragmented, we are not bound by the relative findings. It is saying that this is a ratio, regardless, across the average.

Mr DAVID SHOEBRIDGE: Are you seriously putting the proposition that it is a linear relationship: that regardless of how big your local government areas, this administrative fragmentation is linear across the globe. Is that seriously your proposition?

Mr WATERFORD: I do not know and I am happy to take it on notice.

Mr DAVID SHOEBRIDGE: That would be useful.

Mr WATERFORD: But it is an average. So in that sense, yes, it is linear because it is an average.

CHAIR: To clarify, are you saying that 6 per cent productivity loss remains as the status quo even though you and Mr Shoebridge disagree on the outcome of the OECD issues?

Dr WILLIAMS: Yes.

Mr DAVID SHOEBRIDGE: It is not me; it is the OECD.

Mr WATERFORD: I am happy to re-examine the data, but yes, that is what we are saying.

The Hon. BEN FRANKLIN: It would be helpful if they reconsidered it.

Mr DAVID SHOEBRIDGE: Let us be clear, though: If there were two councils in Sydney and you merged them into one, you say there would be the same 6 per cent productivity gain as if you merged 42 into 21. Is that really what you are saying?

Mr WATERFORD: No.

Mr DAVID SHOEBRIDGE: And do you have any basis for saying it because it seems like bare assertion?

Dr WILLIAMS: What we have agreed to do is to re-examine that from the perspective you gave. We will dig deeper but essentially the proposition that Mr Waterford is making strikes me as entirely sustainable by the evidence, which is that fracturing causes productivity problems. Are you challenging that proposition?

Mr DAVID SHOEBRIDGE: I am putting to you that on a global level Sydney is a far from fractured local government sector. Indeed, it has a very low degree of administrative fragmentation and your entire case is based upon a fragmented local government sector, which is not made out on the evidence and which you misstated.

Dr WILLIAMS: We disagree. We will dig deeper, come back to you and we will reassert the prognosis.

CHAIR: Please take it on notice.

The Hon. BEN FRANKLIN: Please take this on notice too. As I said, I am trying to scan through the report and understand some of the stats. I note that you use Auckland as a comparison, whereas New Zealand does not have a State level of government. In relation to concerns about fragmentation and responsibilities of local government, people cite the UK and New Zealand, which do not have the State level of government.

Dr WILLIAMS: That is why I give the Paris example. Paris is a slightly more interesting example. It is not a unitary State in the way that it has more levels of government.

CHAIR: I think Paris has more than 10,000 mayors, or perhaps that is right across France.

The Hon. BEN FRANKLIN: I think that is Rouen.

CHAIR: I think for Paris it is 40, or something crazy.

The Hon. BEN FRANKLIN: We have talked about a number of international locations, so if you have extra information for us about international experience regarding these issues, it would be helpful if you would pass it on to us.

Dr WILLIAMS: Agreed.

Mr DAVID SHOEBRIDGE: One of the interesting developments with the Fit for the Future program is how it has not matched the recommendations from the Independent Local Government Review Panel. We have had a degree of frustration expressed by local government because they want to talk about some issues apart from amalgamation but they have not been able to get to them. Do you share that concern of local government?

Dr WILLIAMS: I am sympathetic to the idea. There has been a bit of a narrowing of the criteria, in a sense. Our proposition has always been about the capacity of local government to engage in shaping the city rather than just some of the fiscal or financial consequences. The original Sansom report was quite strong on the strategic benefits to government. We like the original criteria considerably but we still think the process is very productive to make us think about fundamental issues.

Mr DAVID SHOEBRIDGE: Do you support the recommendations of Professor Sansom about amalgamation, which were: the State Government's currently unfettered right to impose amalgamations and major boundary changes more or less at will should be limited; any amalgamation or major boundary changes should be preceded by careful analysis of the issues to be addressed and all the options available; there should be full community consultation; following essentially the current positions but with a much better impartial

explanation of the proposals and their implications; the process should be handled by an expert independent body; and the Government should not be able to overrule the findings and recommendations of that body without good cause? Do you agree with that?

Dr WILLIAMS: We are on record as recommending that the independent Boundaries Commission be called in to being to determine the geography.

Mr DAVID SHOEBRIDGE: But you understand that Professor Sansom said they should go further—that, in fact, the experience in 2004 of the Boundaries Commission is at best an imperfect process—and that is why he and the panel made a series of additional recommendations. Do you support them?

Dr WILLIAMS: I think we have our own independent position on that, which is that we want the independent boundaries commission called into being. We agree with some of what Professor Sansom says, of course, but our position is reasonably clear. You need to raise these decisions about the perception of political choices. That is why we thought an independent process should be involved.

Mr DAVID SHOEBRIDGE: Has the Government explained to you where they got the figure of local government losing a million dollars a day?

Dr WILLIAMS: I have not seen research on that.

Mr DAVID SHOEBRIDGE: Do you have your own research on that?

Dr WILLIAMS: Not on that specific figure. As you know, the strategic and operational savings that can be made are not about losses at the moment.

Mr DAVID SHOEBRIDGE: Your research has been about strategic outcomes from local government. Have you looked at the democratic effect of that? Has your research gone into that?

Dr WILLIAMS: Yes. You may recall a great phrase from the UK experience of local government amalgamation, which is "double devolution". The Committee for Sydney is a strong supporter of the idea that you do not just create new, enhanced local government structures but you need to modernise and deepen the engagement with communities. We are very keen that the process actually leads to even greater collaboration and engagement with communities.

Mr DAVID SHOEBRIDGE: Do you have a picture of what those large local governments should look like? Should they have, as Professor Sansom says, just 15 councillors?

Dr WILLIAMS: I thought you were going to ask about some of the structures in place in places like Auckland and the new English amalgamated areas where they have a new community councils or platforms.

Mr DAVID SHOEBRIDGE: I am getting there. Now I am asking you about the 15 councillor model.

Dr WILLIAMS: We are a strong believer in making sure that if you have this enhanced council structure you go back a little to make sure you deepen engagement with communities and find some of the structures, as they have in Auckland, to engage with communities.

Mr DAVID SHOEBRIDGE: Do you not think that if we had some of those answers about the future of these future local councils and we could be comforted that there was going to be strong, robust democratic processes and a role for residents, a lot of fear and concern could be reduced?

Dr WILLIAMS: Yes. We reinforced that in our submission. We strongly support using the process to enhance engagement with communities and not damage it in any way. We think it is an opportunity to do better.

The Hon. NATASHA MACLAREN-JONES: We had three councils appear today and I asked them for their view on the number of residents a council should represent. One of the councils represented more than 200,000 residents, another 80,000 and the last 30,000. All three are very competent in providing services to their communities. Do you have a view on the size of councils and the number of people they represent? Does that have any impact on service provision?

Dr WILLIAMS: The evidence is very mixed. I used to work for the audit commission in England, a body that reviews local government performance. In terms of economies of scale and all that, the evidence is very mixed. I am not entirely convinced that the evidence is that there is an optimum size for these things, but our own evidence suggests that the London settlement, where you have councils of about 200,000, strikes us as providing a wide range of services and deep capacity.

The Hon. NATASHA MACLAREN-JONES: Why does the bigger size work?

Dr WILLIAMS: I think it is a fundamental proposition if communities are worried about processes happening to them—sometimes they worry about the private sector, sometimes they worry about State Government. For example, we work quite closely with the City of Sydney and it is obviously quite a different experience when you have a depth of capacity and officer resource in dealing with these major processes. It is a city-shaping consequence of having capacity and you do notice the difference, when you go across Sydney, between councils that have it and councils that do not have it.

The Hon. BEN FRANKLIN: To pick up on that, there has been discussion today on the concept of identity and place and how that can potentially be lessened in larger councils in individual communities. What is your view on that?

Dr WILLIAMS: I think we can romanticise that. When we did local government reorganisation in England, in some quite historic places like Northumberland we found that people were not as sentimental about the idea of identity as we had worried—or rather, they did not lose their identity just because the local government area changed. I come back to my earlier point that if you are going to have enhanced structures of local government then you should also make sure you have deeper community engagement. On that, the Auckland case is interesting. They have 29 local community boards under the one big one.

The Hon. BEN FRANKLIN: Yes, a previous witness mentioned that and it is interesting. One of the big questions is that a number of councils are strongly resisting the concept of mergers. Why do you think that is the case?

Dr WILLIAMS: On the one hand there is a legitimate concern. One must never assume that people are being self-interested; I think that is a rather shallow way of looking at this. People have established successes, they know their areas and there are other legitimate reasons for a conservative approach to change. Change needs to be justified. There is also institutional self-interest at work sometimes. People in workforces and councillors can resist change, so there is a bit of both. There is a genuine and understandable mistrust of change for the sake of change but also institutions are self-interested. One of the problems with the shared services agenda, which sounds like a very rational thing to do, is that it does not lead to that many efficiencies because it is quite difficult to get staff savings out of shared services. This is because there is a bit of institutional self-interest. That is true whether it is a large council or a small council.

The Hon. BEN FRANKLIN: Yes. The Government is obviously looking at the shared services issue, particularly in regional areas, which I think is very different to Sydney. What are your comments on that? If you agree with the contention that the concept of joint organisations could work in regional areas potentially, why do you believe merging would be a better option than a shared services model in Sydney?

Dr WILLIAMS: We are strongly supportive of anything as rationale as shared services or anything that is about joint procurement because I think the theoretical prospect of cutting costs should be welcomed. I am very strongly supportive of not just shared services across councils in regional areas but actually across the public sector. I think there is a real opportunity to do something really original.

The Hon. BEN FRANKLIN: In what way?

Dr WILLIAMS: By having multi-use centres and bringing together tiers of government. I think that is a really exciting prospect that we should be exploring. We are not against the shared services agenda but it should be even more deeply looked at. It is just that I think those people looking for great savings from it, one, I think missed the staffing cost issue. They rarely lead to very speedy rationalisations of staff. But, more interestingly, there are more efficient ways of doing business as usual in many respects rather than redesigning the business. So there is a view out there in the private sector that actually shared services is not as fundamental a look as it seems at how you should be delivering.

The Hon. BEN FRANKLIN: Your view fundamentally is that there needs to be a wholesale redesign of the system in order to maximise productivities and efficiencies and the benefits to community?

Dr WILLIAMS: Again you put that far more cogently and swiftly than I did, but essentially yes.

The Hon. LOU AMATO: From your analysis of other jurisdictions, do communities benefit from having bigger stronger councils?

Dr WILLIAMS: I think it is a paradox. On the one hand you think that they won't, and it is already centralised, but I think there is a real issue that some councils are too small to defend communities against some of these bigger processes that they worry about. Sometimes you actually need the scale to defend the community better. I do not think the scale is necessarily the enemy of community protection. I think it could be the other way around.

The Hon. LOU AMATO: How does the metropolitan governance operate in other jurisdictions? What can we learn from them?

Dr WILLIAMS: I was involved as a government advisor in actually negotiating extra powers to the London mayor when I was working there. That is obviously quite a constitutional settlement in many ways—32 councils and then we put over the top of it a metropolitan strategic authority that did not interfere with their functioning but actually brought them together around planning, particularly. Transport was devolved from central government to London, the London mayor. I think there are examples where you can get greater metropolitan collaboration and we have heard it with some of the existing structures. We welcome the Greater Sydney Commission as a way of bringing some cross-government collaboration. I think that is a good step forward in Sydney.

The Hon. LOU AMATO: It actually increased the efficiency?

Dr WILLIAMS: I think communities often are quite rightly rejecting growth because of the lack of cross-government co-ordination. That means that whenever we build houses the transport is not there, the schools are not there, the health is not there and we have got to do better than that.

The Hon. ROBERT BORSAK: In your submission you talk about an independent role for the Greater Sydney Commission. Today the Committee has heard from people who do not will be the role of the Greater Sydney Commission. What is your interpretation of the role?

Dr WILLIAMS: My interpretation is that it will be a serious attempt, I hope, at bringing cross-government coordination to bear on Sydney. I really think that has been lacking. How it will do so I suspect is by bringing to the table a number of the key delivery agencies—transport location, we talked about earlier on, planning, Infrastructure NSW—to the same table. It will be new. It will have to prove itself. It will have to prove that it will be better to bring these people to discuss their business plans for Sydney in this common forum. We have not had it enough before. I think the proof of the pudding will have to be in the eating. For us it seems in principle the right idea to get people in the room to discuss what they are doing to Sydney.

Mr DAVID SHOEBRIDGE: It will be venue hire? They will hire a room?

Dr WILLIAMS: Will you repeat that?

Mr DAVID SHOEBRIDGE: Do you view them as just being venue hire, having a room and bringing everyone together or having some decision-making power? I am not sure.

Dr WILLIAMS: No, there are a number of elements to this. I think the very act of bringing people together to make sure that they—for example, we develop the metropolitan strategy together with these government agencies, which we really have not been doing in the past. We make sure that the business plans of some of these key government delivery agencies actually do deliver the metropolitan strategy. So I would not view the idea of getting people in a room is a bad thing, because we have not done much of that before. But in terms of what powers it might have, I am not a great centralist because I do not think it will be right for it to have great statutory force. I think the first thing is to bring it together to make sure that we do have these conversations across government. But over time it could be the focus of a more statutory approach to metropolitan governance but we start small. We start where we are.

CHAIR: You have taken questions on notice.

Dr WILLIAMS: We have. I promise you I will engage on the subjects.

CHAIR: You have 21 days to submit your replies to the inquiry. The secretariat will be on hand to help you and guide you in those matters. Some members may have some further questions to ask of you. I know you are passionate about housing as well and it was good to hear the other side of things.

Dr WILLIAMS: Thank you for inviting us.

(The witnesses withdrew)

(Committee adjourned at 5.33 p.m.)