

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE No. 5

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

At Sydney on Monday 27 October 2003

The Committee met at 9.30 a.m.

PRESENT

Mr I. Cohen (Chair)

The Hon. R. H. Colless

The Hon. K. F. Griffin

Ms S. P. Hale

The Hon. C. J. S. Lynn

The Hon. I. W. West

FREDERICK GIBSON HARVISON, Councillor, Singleton Council, P. O. Box 314, Singleton, and

STEPHEN CHARLES McGRATH, General Manager, Singleton Council, P. O. Box 314, Singleton, sworn and examined:

CHAIR: I welcome everyone to today's hearing, the third inquiry of General Purpose Standing Committee No. 5 into local government amalgamations. On Friday the Committee held a public hearing in Orange where it heard the views of nine councils and a number of local community groups on proposed council amalgamations. On 4 November the Committee is holding a public hearing in Tamworth and, on 5 November, it is holding a further hearing in Wagga Wagga. Transcripts of those hearings, when published by the Committee, will be placed on the Committee's web site and will be available for public and media access. As with all hearings, I remind any members of the media who are present that the usual broadcasting guidelines apply. Copies of those guidelines and copies of the Committee's terms of reference for this inquiry are available. It is important that members of the media have regard to the provision of not filming the audience during the hearing. Members of the audience are not permitted to take photographs during the hearing. Mr Harvison, in what capacity are you appearing before this inquiry?

Mr HARVISON: As Mayor of Singleton Council.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr HARVISON: Yes.

CHAIR: Mr McGrath, in what capacity are you appearing before the Committee?

Mr McGRATH: As General Manager of Singleton Council.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr McGRATH: Yes.

CHAIR: If you should consider at any stage that it is in the public interest that certain evidence or documents you may wish to present should be seen or heard only by the Committee, the Committee will accede to your request. Would either or both of you like to make an opening statement?

Mr HARVISON: I wish to give a broad overview. Singleton local government area comprises an area just under 4,000 square kilometres, it has a population of about 22,000 people and it is located in the Hunter Valley, about two hours drive from Sydney. Our primary infrastructure is mining. We have 18 coalmines and we provide the bulk of coal for export for this country. We also have vineyards, wineries, tourism and short-stay accommodation. Generally, that is where we sit as a local government area. In our submission we have attempted to stay away from parochial issues and we have attempted to address the terms of reference of this Committee. We believe that, whichever way we go, it is paramount that there be community consultation. We must engage our communities and we must ascertain their views on whatever it is we will be looking at in the structural reform area. I do not believe there has been enough commitment by the Government to consult with the community. I emphasise that our paramount concern is consultation with the community. We must engage in consultation with members of the community in order to ascertain their views.

Mr McGRATH: At the end of the day, nothing in Singleton council's submission is new. Most of the statements and comments in that submission are issues that have been around for a long time. There is no doubt that some councils refuse to face up to the challenges with which they are confronted. The terms of reference of this inquiry relate to the impact of council amalgamations. In reality, structural reform in New South Wales is far broader than amalgamation or boundary adjustment. That is where a lot of councils are losing the possible improvements that could come from this whole process. Many things can be achieved through structural reform.

Structural reform can be about working together. I have been at Singleton council for only 3½ years, but it was quite a joy to see the willingness of councils in the Hunter region to work together to achieve outcomes that would benefit the 13 local government areas. HROC, which is now known as Hunter Council Inc. has achieved an immense amount of good for the community in the Hunter region generally. Recently, it formed a trading arm—Hunter Councils Ltd—which is starting up a records repository to service councils, but also to service the State and private sector. So immense benefits can come back into the Hunter from some of those initiatives.

There are a couple of fundamental issues that everyone must step back from and take look at. Ideally, it would be great to start off with a clean slate, so to speak, or a new map of New South Wales and to work from scratch. An important aspect in that process is the need to look at the roles and responsibilities of each level of government—local, State and Federal. There would be some real opportunities if we looked at that. In all likelihood that will not happen, so this is more about developing a better relationship between State and local government and identifying areas where local government is better served to deliver services. Some of those services could well be delivered at present by State or Federal governments. Local government, in partnership with and funded appropriately by State and Federal governments, could deliver those services on behalf of the State.

One other key and fundamental issue is the financial capacity of local government. I am sure that the statement I am about to make has been made before. Going down the path of amalgamation with two councils that financially are performing poorly will not produce tangible results at the end of the day. You will end up with a larger council that still has financial problems. As I mentioned earlier, there is a real need to step back and to look at the roles and responsibilities of the three levels of government, and also at how local government in this case could be better funded. What methodology could be used to ensure that it is able to fund and deliver services effectively? I will not dwell on rate pegging, as that has been the nemesis of local government for years. Our submission says it all. Politically, we know that it is here to stay and that probably will not change. Hopefully, it could be refined to produce better results for local government because the current methodology does not always recognise the imposts that are placed on local government.

I understand that the Minister for Local Government is looking at rate pegging reform at the moment. Economies of scale are a great argument put forward by many going down the path of amalgamation. Anecdotally, from a simple observation of what has occurred in other States, simple amalgamation does not necessarily create economies of scale. You still have the same services to deliver and, by and large, you still have the same infrastructure to maintain because the community demands that. A small amount of rationalisation could occur. At senior staff level you might make some savings but, because of the sheer size of the authority that is sometimes created, the need for a bureaucratic process to deal with decision making and a number of other factors quite often absorbs those savings. At the end of the day it will not improve the capacity of the councils concerned.

CHAIR: On the matter of the funding, you mentioned in your submission that you believed unreasonable the current funding base that councils have to maintain to replace their infrastructure. Are you talking about all councils or about your council?

Mr McGrath: I am talking about all councils. A fundamental issue is involved. There are lots of arguments one way or the other. The issue is that in New South Wales, or in Australia for that matter, local authorities have created assets. In the creation of those assets they have been funded by a mix of local funds. State funds and sometimes Federal funds have gone towards it as well in a three-way partnership or in a simple two-way partnership, depending on the project at hand. Local authorities are expected to depreciate those assets, to fund for future replacement and to maintain those assets. Normally, no funding is provided for the maintenance or depreciation of the assets by State or Federal governments. At the end of the day if the expectation is that those assets will be replaced it seems quite unreasonable, given how they were created, that all of a sudden the total impost is on the local council. I realise that arguments on other side of the equation have been put forward, but I think it is an issue that must be explored.

CHAIR: In terms of the organisational structure of local government, do you believe there is an optimal size? Do you see a point at which there are greater efficiencies?

Mr McGrath: Once again the council's submission hits on this issue in broad terms. I am firmly of the belief, and I understand that council supports this proposition, that there is no one solution in respect to local government in New South Wales and there is no one solution for organisation structure. The council's submission makes it clear that structure follows strategy. It depends on how the council sees its role in the community. Each community is very different in what it expects and desires from its council. Having moved from Young 3½ years ago, I can see that the expectations of the council in Young are very different to the expectations of the council in Singleton. It is a need to be determined locally, to some extent. Issues such as the sheer size of the area can impact greatly on service delivery and on the structure that is best suited to deliver services.

CHAIR: You said, and I believe it is fairly well established, that the councils in the Hunter have close co-operation and there is a commonality of interests and history. Do you see a formula or an effective proposal that the Hunter councils could experiment with, such as bringing together the council organisations into a larger body for working on strategies of sharing resources in a Regional Organisation of Councils [ROC] situation?

Mr Harvison: To clarify, when I talk about the Upper Hunter councils, I refer to Singleton, Muswellbrook, Merriwa, Murrurundi and Scone. Then there are the Hunter councils, which go down to Newcastle and out to Dungog. I will just concentrate on that area. To give an example of working together, in the last 12 months a proposal was put forward to fund a rural doctor to assist in a rural area. I use the term "work experience", because the proposal was to get someone during university recess or from studies to come and work in the rural area. There was a dollar figure attached to that proposal.

The Upper Hunter mayors at one of their meetings decided there was value in our assisting one of the outlying areas, that is, Merriwa and Murrurundi. On the Upper Hunter basis we agreed proportionately to fund the rural doctor coming to that area. It did not benefit Singleton, nor did it directly benefit Muswellbrook, but it benefited Merriwa and Murrurundi. So we worked in that way to help out. That is just one example. Some people would say that if we work so well together that could be seen as a good argument to amalgamate the councils. We do not, we simply see it as not being so parochial. We work together and pool our resources.

Mr McGrath: If I could add to that, what the mayor is leading to is one of the fundamental issues for a regional organisation of councils [ROC]. As I said earlier, the willingness of the councils to work together has produced results. The benefit to the smaller councils is access to the resources of the larger councils. Without going down the path of amalgamation per se, we are able to leverage what the larger councils are able to provide. It maintains the integrity of the local area as well. Many of the smaller communities in the Hunter—and I mean smaller than Singleton—are very proud of where they have come from. They see themselves with a future and want to maintain that position. They do not necessarily have the resources to deliver what is needed from a statutory sense, let alone some of the luxuries they might like. However, by being able to leverage the regional organisations and the larger councils that are members, they can provide benefits to local communities.

The Hon. Rick Colless: Councillor Harvison, do you see a difference between the corporate management function and the service delivery function of a council? The example you have just given is relevant insofar as the doctor is attracted from a corporate point of view but the service delivery needs to be more decentralised.

Mr Harvison: I do not think so. I am trying to get my head around what you mean by decentralising the function.

The Hon. Rick Colless: Under the current council structure, which is a decentralised structure, the corporate function of paying salaries and issuing rate notices could be delivered by an amalgamated council. Do you think there is a case for amalgamation with respect to the corporate functions of the council but maintaining a decentralised structure for the service delivery functions of the council?

Mr Harvison: There could be a case for it. On the surface it sounds feasible. I wonder at the end of the day whether it will deliver what we really want delivered on the spot there and then.

That is one of the concerns I have. As to my background in local government, I am essentially a Sydney boy but I moved up to Singleton six years ago. About 20 years ago I was a councillor or alderman on Hurstville council. I have seen the difference between the two councils. I believe there is a difference between the expectations of local government in the metropolitan area and in the rural area. I believe that local government recognises the need to work a lot more closely with the community in rural areas than in metropolitan areas.

As an example, and it is a stark example for me, 20-odd years ago if a resident asked Hurstville council about an issue, it was very easy to say that the matter does not belong at local government level, it belongs at Federal or State government level, and therefore the resident's question about a telephone box or letterbox is not a local government issue. It does not work that way in rural areas. If a resident has a concern we do not say that it has nothing to do with local government, because people in rural areas turn to the local council to help them. From a corporate point of view one could say it makes a bit of sense, but I would caution against it because of the need to be able to deliver in a timely fashion at the local area.

Mr McGRATH: I support what the mayor is saying. My role is to ensure in a day-to-day management sense that council is operating efficiently and effectively, to review systems and to review the delivery of service and the management of our organisation. In doing that, we have gone down the path in some areas of looking at sharing resources in the delivery of some of those corporate management functions. Singleton council is one of the medium-sized councils in the Hunter. The rider I have from my council is that it needs to be done in the context of ensuring that local employment is looked at, because employment is an issue for the community. It is an even greater concern for people in smaller communities. That is one of the issues that will always be looked at. It goes beyond corporate management. It goes to community service obligations and community issues and ensuring the integrity of the local community. In smaller communities that is very important. Taking those roles away, at the end of the day, if it happens too often we lose a few jobs on the council, families move away, class sizes go down, and teachers and schools drop off. All those issues need to be explored.

The Hon. RICK COLLESS: From an amalgamated council perspective—and I am talking in concepts, not potential possibilities—let us assume there is a Council of the Upper Hunter, which takes in the areas you referred to. Do believe that such a structure would be able to operate and deliver services efficiently to the community?

Mr HARVISON: No, I do not. If I could concentrate on that proposition, we would be looking at something like 18,500 square kilometres of a council area. In our submission to the Minister, the point we made is that if we looked at hypothetically or even realistically a council of 12 councillors, under the quota system we could find that we have four councillors from Singleton, four from Muswellbrook and a couple from the other areas. In that sort of area there is a disproportionate representation. How do the elected representatives of Singleton adequately represent the requests and the best interests of the people living in Cassilis, which is a couple of hours' drive away? We have that problem. How do we efficiently manage the organisation if we have road plant at the lower end of Singleton, say down on the Putty Road going down towards Howes Valley, and the work crew has to be moved right up to the northern part of the council area, say up near Cassilis. The crew will spend half its time driving to do the work and to come back. Yet one of the scenarios involved in such a proposal is the economies of scale, because we do not need as many works depots. Those issues have to be looked at further.

The Hon. RICK COLLESS: It also impacts on the local communities, as you were saying.

Mr HARVISON: It impacts on the local community. The comments we get back from the community when talking to them are, "I do not want to have to travel up the valley to pay my rates", or "I do not want to have to travel up the valley to drop back a library book". Whether or not that will happen, that is a fear they have. If I could be parochial, we believe our community is different from the other communities, even those that are 40 kilometres away. I do not say that in any rude sense. They are just different communities of interest. One of the concerns that we have is at the end of the day we may end up pitting community against community, which is not the way we like to operate. They are some of the concerns.

Ms SYLVIA HALE: Councillor Harvison, in your opening remarks you commented on the importance of community consultation and the fact that it had been insufficient, if I recall the word you used. What process do you think should have been followed by the Government both to identify the need for reform and to move towards some sort of constructive outcome from that process?

Mr HARVISON: Personally, I do not believe that the argument for reform was sufficiently spelt out. I know some councils would have liked what they were required to do under the process to be fairly prescriptive. I do not believe that is the way to go. To my mind, it has not been spelt out why we are going down this track. The issue has been clouded by talk of amalgamations. The discussion on structural reform came about at the same time as the statement being made, "There will be no forced amalgamations." The two, to my mind, seem to have gone hand-in-hand; structural reform has come to mean amalgamation. But they are both separate. The process should have been spelt out a lot more, and there should have been a longer time frame for councils to consult their communities and come back with submissions to the Minister. I think the time frame was a bit short.

The time frame may be all right for some councils in metropolitan areas. I use as an example Hunters Hill Council. It may have no dramas about being able to talk to its community because that community is close by. We had to arrange meetings at halls in rural centres, and stretch our councillors to cover those meetings. That cannot be done overnight. It takes a bit longer to do that, then have a larger public meeting in town and get feedback. I still do not think enough time was allowed. But there still does need to be that community consultation.

Ms SYLVIA HALE: I suppose the deferral of the date of elections made it reasonable for people to equate structural reform with boundary changes and amalgamation. I think it was inevitable that that connection would be made.

Mr HARVISON: Yes.

Ms SYLVIA HALE: Am I correct in saying that you think any amalgamations would have an adverse implications for representation of local communities?

Mr HARVISON: I do. That was the message we got from our community consultations. When we went out to talk to the community I emphasised the point we were not there to talk about emotive issues; we were there to talk about the facts; that we could get emotive afterwards if we wanted to, but it was necessary to separate the two. We were able to show to our community, in hard factual terms, why we did not believe amalgamation with other councils would be of any benefit. At the end of the day, we could not see how our community would be better off.

If I could talk for a moment about the submission put up for amalgamation of five Hunter councils. To my mind and our council's mind, nothing in that document said that the people of the Singleton community would be better off. If there had been something in it to demonstrate that the Singleton community would be better off, I would have been duty bound to go back to the community and say, "This is a good document, this is a good proposal, because you the community are going to be better off." But there was no such indication in the document. At the end of the day, the issue is delivery of services to the people. It is my being able to walk down the main street of Singleton and stop and talk to people, who will talk to me about an issue, or going out and visiting one of the wineries with family or friends and talking to the people at the wineries about local issues. That is what they expect of their elected representatives. They will not get that in a larger organisation.

The Hon. IAN WEST: I note what you have said about change, the method of change always creating concern, the issue of structural reform versus amalgamation, timeframes, metropolitan versus regional issues, and the fact that everyone feels they are a special case. That is fine. We all tend to feel we are special. But, within that framework, do you not feel that the process is a positive one, taking into account those variables?

Mr HARVISON: Yes, I do. I personally do not have an issue with local government being told to look at itself. Our council does that constantly, and I think local government needs to do that. The concept does not worry me. I am just concerned that the way the package was put together meant some issues became clouded.

The Hon. IAN WEST: Though it might be debated whether the process was done with maximum efficiency or whatever, now that the process is in place, do you see positive things coming out of it?

Mr HARVISON: I have seen a positive coming out of it in that we have taken the opportunity to look at how we do business. This is a timely and more formal process of saying that we should look at how we do business. Another positive is that we are out there talking with our community and letting them know how we are doing business. Those are the two positives that I see coming from the process. The General Manager might better answer the question from a professional point of view.

Mr McGRATH: Whilst we may have gone round the roundabout to get there, it has some positives for local government generally—as long as people do not get bogged down and focus on the big "A" word, which is what they tend to do. Everyone seems to get jaded. One issue dealt with in the submission is the relationship between State and local government. By comparison with other States, it is terrible. It really is. I attended a general managers forum on Friday. What I am seeing at the moment is good because there appears to be a real willingness to approach the issue from a positive perspective. The Minister for Infrastructure and Planning, and Minister for Natural Resources, Mr Craig Knowles, was there, as at times was the Minister for Rural Affairs, and Minister for Local Government, Mr Tony Kelly.

The message from both was very positive about developing relationships and working with local government. That is needed. A lot of changes are occurring in State government, with the new DIPNA and everything else. Some of the biggest barriers for local government are in the development approval process, the range of agencies that need to be consulted, and the possibility that any number of agencies can create barriers because of their wants and desires, especially when the wants and desires of the agencies are very different. Then, trying to facilitate the development application process and get an outcome for the developer is very difficult. A lot of the rationalisation that has occurred at the State level recently is working towards producing some benefits. I think it is a two-way street: it should not be just about local government; the State needs to look at itself too.

The Hon. HENRY TSANG: Fred and Steve, I should tell you I was Deputy Mayor of Sydney, so I was one of the local government people in my former life. As you said, voters do equate structural reform with amalgamation. I have heard from a general manager that it necessarily has to be the same. Therefore, at the end of this inquiry, when the Committee produces its report, might it not, with credibility, report that there is good reason for adjusting the boundaries of some smaller councils to make them more efficient, and that some larger councils in certain areas that are too remote could have boundary changes with nearby shires? So there could be a case of not necessarily amalgamating but including adjustment of boundaries. Also, it means that the councils themselves could propose some adjustments of ROCS to allow for some agreement between the councils on some issues, such as planning issues, so that they will have uniform regulations on planning and development. The whole region should have the same regulations. That role could be given to ROCS, to do some kind of study on that.

CHAIR: Could the member put a question?

The Hon. HENRY TSANG: The question is that in the report of the Committee would you suggest we should recommend looking at structural reform and not just amalgamation? It could be the same, but it might not be the same. There is a role for various councils to share.

CHAIR: If the member could put his question, because we are running out of time.

Ms SYLVIA HALE: It is a leading question.

The Hon. HENRY TSANG: It is a leading question. I am just helping to shape the report, because I am in local government.

CHAIR: Thank you, Mr Tsang. Would either Mayor Harvison or Mr McGrath like to respond?

Mr HARVISON: I know what Mr Tsang is saying. In short, yes, there is the opportunity for that to happen under structural reform in its broadest terms—not just amalgamation, but looking at the way we deliver, and to think outside the box.

Mr McGRATH: If I could respond very quickly. Some of that is already happening in the Hunter. The Hunter's regional organisation is held up as one of the better models in New South Wales, or Australia for that matter. Having been there a fairly short time, I can see why. Some things they are doing now reflect what the member said: looking at introducing some commonality in planning application processes, et cetera, so that for developers who are doing work not only in Newcastle but in Maitland, Cessnock, Port Stephens and elsewhere there is a somewhat common approach. We are doing that now. I can see some benefit in perhaps the larger majority of councils in New South Wales going down that path, but it needs to be tailored to and based on local community expectations.

CHAIR: The Committee appreciates the distance you have travelled and the effort you have put into your submissions. On issues such as regional co-operation, I think you have added significantly to the deliberations of the Committee. You dealt also with another matter that has come up on a number of occasions: rural councils working closely with constituents, and differences in approaches by larger councils. When the Committee members are making assessments, your evidence will be of great value. I think you have well explained that structural reform is about more than amalgamation. The Committee will be able to use well the material you have provided in both your written and oral submissions. I thank you very much for your attendance and for your assistance.

(The witnesses withdrew.)

ALEXANDER STEVEN GOODING, Executive Director, Western Sydney Regional Organisation of Councils, 49 Campbell Street, Blacktown, affirmed and examined, and

DANIEL MACKIN, Senior Vice-President, Western Sydney Regional Organisation of Councils, 9 Timms Street, Habersham, sworn and examined:

CHAIR: Mr Gooding, in what capacity are you appearing before the Committee?

Mr GOODING: As Executive Director of the Western Sydney Regional Organisation of Councils.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr GOODING: I am.

CHAIR: If you should consider at any stage during your evidence that, in the public interest, certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Mr Mackin, what is your occupation, and in what capacity do you appear before the Committee?

Mr MACKIN: I am a pensioner, and I am also a councillor with Blacktown City Council. I appear as Senior Vice-President of the Western Sydney Regional Organisation of Councils, WSROC.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr MACKIN: I am.

CHAIR: If you should consider at any stage during your evidence that, in the public interest, certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Gentlemen, if either or both of you would like to make a short statement prior to Committee members asking questions, feel free now to go ahead. If either or both of you would like to make a short statement prior to questioning by members of the Committee please feel free now to go ahead.

Mr MACKIN: I will start off. The board of Western Sydney Regional Organisation of Councils [WSROC] whilst not totally opposed to amalgamations have got a number of concerns on the way such amalgamations may take place. I am going to make a very brief statement at the outset and ask Mr Gooding, the Executive Director, to address the Committee in more detail and I will interject at times when I feel I need to.

Mr GOODING: Just to reiterate on Councillor Mackin's comments, the WSROC board adopted the position that amalgamations within the Western Sydney Council should only be pursued after the relevant councils have properly consulted their communities and there is agreement between the councils concerned, and that councils should not proceed to unilaterally achieve this objective. I should point out that this was taken specifically in relation to the WSROC councils and it should not necessarily be taken as a statement for or against amalgamation, of course, but, as Councillor Mackin suggested, perhaps a reflection of some of the concerns about the process.

CHAIR: Was this a resolution by WSROC?

Mr GOODING: That is quoted in the submission. Another aspect of this is that it does reflect the size of the WSROC councils. It is unlikely that Western Sydney would be where you would be starting your amalgamation process. The smallest council in the WSROC is 50,000 and the largest council is Councillor Mackin's council, Blacktown, which is over 270,000. So in that respect the argument about economies of scale or financial inefficiencies is perhaps less relevant to the WSROC councils. However, we wanted to pursue another aspect of the process of the debate today and I think this was touched upon towards the end of the preceding presentation. The fact is that there is a whole range of issues about structural reform and about looking at the way local government performs its activities, which have not been touched upon.

I should say on the way through that whilst the WSROC board has not considered the Local Government Association's paper on structural reform, the sorts of issues that arose are broadly consistent with some of the statements that have been made, particularly the need to maintain funding levels and to look at issues relating to rate pegging and reviewing local government functions and seeking a partnership between different levels of government. But to go on from that to look at some of the issues that we raised more specifically in our submission: The first is the whole issue of cost shifting, the need to clarify the relationships between different levels of government and the roles of different levels of government. To that effect we attached a copy of the previous submission that we had made to the Federal Government inquiry into cost shifting because we felt it had some relevance to this particular inquiry.

Out of that—just to summarise some of the principles that we identified in that submission—was basically the need to have a set of agreed principles between different levels of government to clarify the allocation of responsibilities and activities and, associated with that, the need to ensure that those responsibilities and activities were adequately funded; recognition within that framework that local government is best able to respond to local needs and it should have the primary role in local service provision and in local planning; and that where an activity or responsibility is devolved to local governments it should be accompanied by adequate and secure funding. We also called for a review of rate pegging and, as I said, we support what the Local Government Association had to say about that particular issue because I think that affects the whole issue of financial viability of councils.

What we need to support that is a greater commitment by State and Federal governments as well as councils to achieve the potential that regional organisations present. I should say that we briefly quoted in the submission, again from another paper that I was involved in preparing, about the different roles. The other major point we wanted to make was the whole issue of the role of regions and regional organisations of councils in this process. We are perhaps a bit disappointed that debate to date has not really examined this issue in more detail. I should stress that this is not necessarily a part of the amalgamation argument because regional organisations of councils [ROCS] are equally important and relevant irrespective of the size of councils that make up their membership. They perhaps function in different ways when there are different size councils but they are as relevant to a region like WSROC, which is large, as they are to some other ROCs where the councils are either very small or there is a very wide range of sizes, for example, as occurs in the Hunter.

of ROCs. I will not go through those now, they are in the submission. How might we achieve that? We have had some discussion about some of the ideas that might go towards this development of common agreed regional boundaries between councils and other levels of government, looking at encouraging pilot projects and models of joint activity and service provision. For example, whether there is a separate framework set up for regional service delivery or whether it is a member of council from each organisation taking on that role; looking at providing pool funding to regional organisations for strategic projects for different levels of government; also, exploring different models of regional governance—I do not say "regional government" but "governance"—management and planning and trying to establish a genuine partnership between the different levels of government.

Across the various ROCs there are a number of examples of all those points of initiatives such as joint purchase, regional library services and so on and, in the case of WSROC, a particular example we are involved in at the moment is the development of a regional planning framework which involves all members of the WSROC councils and two of the MACROC councils, where there was initially a bit of frustration at the State Government's slow approach under the previous Plan First model, and it has continued to grow as an exercise by the councils to provide their own vision for the region. We have entered into a process of dialogue with the State Government about this which has been very fruitful, but I think it is fair to say that there was initially at least some level of suspicion or disbelief perhaps that councils were capable of this sort of activity on a joint basis or that this activity was a valid or legitimate response. I think we need to overcome those sorts of barriers and look at how councils can work together.

This is relevant across the State, but particularly relevant in the metropolitan area. Even after amalgamation we are still going to have 30 or 40 councils across the metropolitan area even if some amalgamate. We need a process for the State Government to relate to those councils in a way in which they can establish an effective process for dialogue and for managing the metropolitan area. One of

the models we would like to suggest that could be looked at for that process might be the south-east Queensland planning process which involves a framework for planning involving local and State government within the four to five regions in south-east Queensland. That is just one example, but there are others. They are the sorts of issues, in summary, that we would like to see injected into the debate about structural reform.

CHAIR: When you are talking about Queensland and those four to five regions, are they like a ROC?

Mr GOODING: Yes. In fact south-east Queensland is unusual in that the ROCs were actually set up to support the planning process. What happened there was that they defined four regions in south-east Queensland, one of which was Brisbane city. As you know, Brisbane city is obviously the largest council in Queensland, in fact in Australia. But what people do not often realise is that there are another 17 councils around Brisbane and south-east Queensland and those other councils are divided into three other regions. There is a ROC structure in each of those regions which has input in the planning process. There is a regional consultative committee which comprises the chairs of those three ROCs plus the Lord Mayor of Brisbane, which meets with the five or six relevant State ministers—this is at a ministerial and political level—plus a representative of the non-government sector. I think that group is called the Regional Consultative Committee and it oversees the regional planning for south-east Queensland.

CHAIR: You mentioned quite clearly, and I think pertinently, that there needs to be a clear process of communication between the different levels, and that that is seriously lacking. Can you suggest who should take the lead in facilitating that inter-governmental discussion on roles and responsibilities?

Mr MACKIN: I think it is the responsibility of the State Government to take a lead role in this discussion. The State Government is pushing for the amalgamations and it should give the councils and the ROCs clear guidelines and definitions of where they want to go and how they are going to achieve it.

CHAIR: Your submission to the Federal Government's cost shifting inquiry highlights the need for all levels of government to develop a set of agreed principles for the allocation of responsibilities and funding to the most appropriate levels of government. Is that another aspect of it? Could you perhaps enlarge on that?

Mr GOODING: Obviously that submission was made in the context of the House of Representatives inquiry into cost shifting. What we were proposing was that rather than arbitrarily introducing different models of financial assistance to local government, which we understood the Federal Government was contemplating, was to encourage the Federal and State governments to sit down with local government to work out a broad framework for allocation of responsibilities and roles. This might perhaps be a utopian objective but at least we were putting that proposal on the table. Obviously it should ideally involve all three levels but, as Councillor Mackin said, if we cannot get the Federal Government to engage—and one of the problems we have is getting the Federal Government to engage with things on a regional level—then perhaps the role should fall to the State Government.

Mr MACKIN: On the question of rate pegging that Alex mentioned, I personally do not have a great problem with rate pegging. However, I think that the State Government should look at a more realistic level of rate pegging to enable the councils, particularly the small ones, to bring in sufficient funds from their rates base to make changes and to move forward. Invariably the State Government tells us what we can raise our rates by. It is not enough.

That is evidenced by the number of councils that continually make representations to the Government to see whether they can increase their rate base by greater than the allowed amount. I am sure that with a bit of co-operation between the regional organisation of councils [ROC], the councils, the State Government and the Minister, in particular, we could overcome some of those problems and save councils having to go cap in hand, asking to be able to increase rates beyond the allowed amount.

The Hon. KAYEE GRIFFIN: I am not sure who would like to answer this question; perhaps both of you could comment. Whatever local government structural reform takes place in the future, do you envisage a bigger role for ROCs, such as the Western Sydney Regional Organisation of Councils [WSROC]? If so, how do you think that will occur?

Mr GOODING: Yes, I think there will be a bigger role for ROCs, and I can see that occurring in a number of ways—some of which we touched upon in our submission and some of which I have just referred to. I think ROCs, in particular, can play a role in the areas of regional planning—and metropolitan planning in the case of Sydney and the major cities—and establishing regional strategies. To some extent, even though the plan for this model has been largely abolished, there is a move towards developing regional strategies under the new planning proposal, and we support that. The other areas are about achieving economies of scale for service delivery. Most ROCs run joint purchase arrangements with particular councils that are very successful in saving money for member councils. We could look at expanding that role and giving ROCs a greater role. We could encourage councils to use ROCs to set up service delivery models on a regional basis, as I mentioned. For example, library services, waste collection and a whole range of other opportunities could be encouraged by the State Government.

The Hon. KAYEE GRIFFIN: If ROCs were to play a greater role, how would the funding be allocated to ROCs to pick up that role?

Mr GOODING: The funding could occur in two ways. First, perhaps we need to look at a range of pilots, working with specific ROCs to develop specific activities and models, testing which ones work the best and looking at the overseas experience, particularly in Europe, regarding these processes. Then I think we could look at funding for ROCs, with councils agreeing that that is the appropriate way to go and rolling out joint activities and giving them seed funding to work with councils to achieve those economies of scale. ROCs could be given a bit more in the way of resources to support that process.

Ms SYLVIA HALE: From what you have said, I get the impression that you believe the central questions that need to be addressed are the appropriate allocation of responsibilities between the various levels of government and the question of cost shifting to local government and unfunded mandates. Do you think the process of requesting that councils reform structurally has diverted attention from the real issues to the potentially negative question of whether councils should amalgamate?

Mr MACKIN: I do not think it is a question of passing on negatives. I think ROCs are concerned that the Federal Government's seeking to make cost shifting neutral to the Federal Government puts councils, and to a certain extent the State Government, in the position of having to look to make up shortfalls. Most councils do not have any other form of income apart from their rate base and grants from government, both State and Federal. Cost shifting cuts into the amount of funds that councils, whether large or small, have to service their communities. I believe that is one of the reasons why governments are looking at amalgamating councils to make them bigger and more equitable. But if cost shifting is going to take away income from those councils—whether or not they are amalgamated—we will be moving forward and then moving straight back again. We will return to the exact position we are in today: councils must increasingly carry a bigger burden because of cost shifting by the Federal Government that is passed on by the State Government without receiving adequate funds to maintain existing services.

That is one of the reasons why I made the point about rate pegging. I do not have a great problem with rate pegging, but I believe the State Government must be realistic in the rate increases it sets. I will use Blacktown City Council as an example. We were told that we could raise our rates by 2 per cent and we decided to raise them by 1.5 per cent. That equates to a loss forever to Blacktown council of \$500,000 a year. We can never recover that loss; it is gone. And it goes on and on. When there is an election around the corner—we all do it; we are in the real world—councils keep under the permitted 2 per cent increase in order to do good by their ratepayers. But in fact councils are not doing their ratepayers any service at all because they are depriving them of money that can never be recovered.

Ms SYLVIA HALE: This morning you talked about the great disparity in size of councils in WSROC, which range from 50,000 to 270,000. First, do you have any evidence that larger councils are inherently more efficient than smaller councils? Secondly, what implications does council size have for local representation and accountability?

Mr MACKIN: In reality, I think the smaller councils must be run more effectively than the larger councils because they have such a small funding base to work with. The smallest council in WSROC has about 50,000 ratepayers and it is surviving because it is very efficient. I come from the largest council in WSROC and I would like to believe that Blacktown council is equally efficient because we have more people to look after and more services to provide. But that is becoming increasingly difficult because of our limited income.

Ms SYLVIA HALE: What are the implications for community representations?

Mr MACKIN: That is where the ROCs come in. The smaller councils use the ROCs—it affects not just WSROC but all ROCs across the country—as their platform to get their point across. They believe they do not have a voice because they are small.

Ms SYLVIA HALE: I was thinking about local residents' ability to approach councils and have their concerns heard. Do you think either large or small councils are better in that respect?

Mr MACKIN: I do not believe so.

Mr GOODING: As to your comment about the disparity within WSROC, I reflect that it is not as great as the disparity outside WSROC.

The Hon. CHARLIE LYNN: You mentioned earlier rate pegging and the fact that councils must go cap in hand. We heard from the Department of Local Government witnesses that there is a mechanism for councils to go beyond rate pegging. Do you have any examples of the number of councils in WSROC that have been successful in their applications to increase their rates beyond that allowed under rate pegging?

Mr MACKIN: I believe Parramatta and Penrith councils recently made applications and were successful. They are two of the larger councils.

The Hon. CHARLIE LYNN: Do you know how many councils have been unsuccessful in their applications?

Mr MACKIN: I do not know.

The Hon. CHARLIE LYNN: We have heard a lot about amalgamation and its alternative, which is the formation of strategic alliances—which is what I think WSROC is to some degree. You mentioned the lack of guidelines and consultation in the reform process and the need for Federal, State and local government to work together on this issue. Do you think there is enough time in the process that we are undertaking at present to address the issue of reforming local government or do you think that this should be a first step and that we should hold a summit, for example, involving Federal, State and local government to discuss local government issues?

Mr MACKIN: I think a summit would be an excellent idea. That should be the place we start.

Mr GOODING: We have been calling for some time for a summit at a regional level to talk about issues. We ran a planning conference earlier this year but, to be frank, we had problems with both Federal and State representation at that conference. This is an example of the problems we face. Federal and State governments must take a much more serious approach to local government and take it much more seriously. I suggest that both State and Federal governments have problems in that regard.

Mr MACKIN: I agree fully.

The Hon. RICK COLLESS: Your submission states that a regional organisation of councils such as WSROC can play a vitally important role in improving the effectiveness of local government. Do you believe the ROC structure can offer more to local government than a full-blown amalgamation of councils in your area, for example?

Mr GOODING: If you are talking about a full-blown amalgamation of councils the size of WSROC councils you are talking about a fundamentally different form of governance in New South Wales and in Australia as a whole. If we are to debate that approach we should have that debate. You are talking about Brisbane-style local government. Indeed, an amalgamated WSROC would be bigger than the City of Brisbane and bigger than the State of Western Australia in terms of population. If you want to go down that route that is fine, but you would not do it unless you were going to devolve to local government certain basic functions that are now State Government responsibilities and the revenue streams associated with them. There would be no point amalgamating 11 councils the size of WSROC unless you were going to do that.

The Hon. RICK COLLESS: Let us take the example of the Upper Hunter, which would not have a population anywhere near the size that you are talking about in WSROC. Do you believe there is a case for amalgamating some rural-based councils to give them the sorts of economies of scale of some of your councils?

Mr GOODING: As I said, we are limited to some extent by the position that the board took, which applied exclusively to WSROC. But speaking personally, there is obviously a case for looking at amalgamations amongst very small rural councils. Apart from the financial issues there is also the issue of having a range of equity of representation. I am not saying that all councils should be exactly the same size or that councils in WSROC should be the same size. But the ratio within WSROC is roughly five to one in terms of the representation of the smallest and the largest councils.

Across the State, that ratio must be about 300 or 400 to one, and that troubles me personally.

Unless you have councils that are at least some sort of minimum size—and I am not saying what that should be—you do not have the capacity to plan strategically and act effectively. As I said, I am not offering that comment as necessarily a comment from WSROC, but from our perspective what the WSROC councils are basically saying is that Western Sydney is probably the unlikely place to start the amalgamations; there are other areas that perhaps you should be looking at first.

Mr MACKIN: I think there is an opportunity here for the State Government to organise a seminar or meeting of all the ROCS so that we can get the viewpoint of the areas you are talking about, the smaller areas, to find out what they think and what the larger ROCS think about where we should go. I do not believe that forced amalgamations is the answer in any way at all.

(The witnesses withdrew.)

KEVIN WILLIAM SPROATS, Professor, University of Western Sydney, P.O. Box 416 Emu Plains, sworn and examined:

CHAIR: You are appearing before the Committee as an individual, is that right?

Professor SPROATS: I am.

CHAIR: Are you conversant with the terms of reference for this inquiry?

Professor SPROATS: Yes, I have read the terms of reference.

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Before taking questions, do you wish to make an opening statement?

Professor SPROATS: No, I have nothing to add. I am happy to respond to the questions that Committee members may wish to ask.

CHAIR: In your 2001 report on the structure of eight inner-city and eastern suburbs council areas you make some interesting comments about people's identification with their suburb. Could you expand on that?

Professor SPROATS: I think one of the main things that came out of the inquiry was the clear identification of people with a suburb. Of the 500 or so people who submitted material, by and large people identified more with their suburb than they did with their local government boundaries. That is not surprising, in a sense: property values do not relate to local government boundaries, they relate to the suburbs. Many local government authorities have suburbs with entirely different property values in them. It has been a long-held view, and I think it was reinforced by the study. The comments in the report are entirely what came out of the review.

CHAIR: Some people think that amalgamations should only occur if supported by a majority of residents in the affected communities. You have been quoted as saying that referendums are inherently conservative and often used to protect the status quo. Could you elaborate on that view?

Professor SPROATS: I am not the first one to have said that; it has been said many times before. I have been involved in the reform of local government for a long time now. It has been said many times before that inevitably it will come down to a conservative approach to reform. That point was made by the Barnett report 40 years ago, and it has been made by a whole succession since. It must be remembered that my report was the thirteenth report into local government reform in metropolitan Sydney in the last 100 years. I was not the first one to have said that, and I am still firmly of the opinion that major reform will not happen until such time as it is led by the State Government.

CHAIR: On the North Coast, where I live, there has been an amalgamation and referendum process involving Richmond River and Casino councils. The smaller council felt that whilst it was essentially a democratic process, it was overrun by the larger council. Do you have a strategy that would deliver, in this case, minority rights? How do you see such an amalgamation process there? Is it fair, or is it a matter of one community overriding another?

Professor SPROATS: A careful reading of my report in 2001 will show that I almost went totally a way from the concept of amalgamations. I think amalgamations are not the way to go about it, because it approaches it from government as an instrument; it does not approach it from the concept of governance, which is what I understand you are talking about. Once you approach it as other parts of the world are approaching it—that is, how do you set up structures that will allow governance at a local level to move ahead—the last thing you want to do is to simply make bigger or smaller versions of what we have now. The point I make in the report is that the big challenge for local government structural reform is how, at the one level, to deal with governance issues that have to be dealt with at a regional level, and how, at the other level, to deal with governance issues that need to be dealt with at the local level. They are different issues.

The point I raised in my submission to the Government in 2001 is that you cannot deal with the transport issues of the inner metropolitan area of Sydney at a local level; you have to address those issues on a regional scale. Those are the challenges that are before it. The submission I made to the Government is that those are things that have to be addressed. I do not resile from any of that; I just do not happen to be involved in that any longer.

CHAIR: We have received many submissions that are critical of the Government's current local government reform program. The submissions argue that the Government has not adequately communicated its vision for reform or its criteria for amalgamation. Are you able to comment on what you think about the Government's current local government reform program and the way it is being implemented?

Professor SPROATS: I am obviously not privy to what the Government's central aims are. I read the letters that were sent to general managers, because a number of them approached me for a comment on it. As I understand it, that first round of those who had something in the pipeline were to submit that by 30 August and then they would deal with that through the Boundaries Commission. But then they indicated that there would be a series of more formal, facilitated discussions with the local communities, the Government and the council's on a regional scale.

I would support that approach because many of the attempted reforms of local government over the last 100 years have been done at a statewide level, and clearly local government across the State is not uniform and neither are the councils uniform. At an earlier attempt at voluntary amalgamations—I do not like using that word—through the Local Government and Shires Associations, I went out for a day to talk to people at, if I remember rightly, Yalleroi, Bingara and Barraba, three small communities. As soon as I got off the plane, the first statement was, "There shall be no amalgamations."

I do not know what they are doing up there at the moment. But what happens up there is not the same as what happens in metropolitan Sydney—or in Blacktown, Campbelltown or wherever—because they are clearly different systems. But if we approach this from a governance point of view, how the local communities make decisions that affect their lives and on what scale they operate, you can begin to look at structural reform.

The Hon. CHARLIE LYNN: We have received submissions, particularly recently in Orange, in which there appears to be an acceptance of the strategic alliances that have been formed there. It seemed to me that there appeared to be a lot of goodwill in making those strategic alliances work, particularly amongst rural councils, who realised the economies of scale, all the arguments, and so on. However, regarding your earlier comment, it is about people's suburb or town. Do you think the strategic alliance approach is the way to go, even as an interim measure? Would it be better than amalgamations?

Professor SPROATS: I lived in Bathurst for 26 years, so I know rural local government and I know the difference between the provincial towns in the surrounding shires and the longstanding issues there. It appears to me that it does not need rocket science to determine how we can have arrangements where local identities can retain as local identities. My involvement goes back a long way. In those days, I was the deputy chief executive officer of the Bathurst development corporation regarding the new city there, and I knew all the local politics. It can be done, but we must have the will to make sure it is done.

I go back to my earlier point. Ultimately, if it is left to just those alliances, my view is that they will eventually settle back down into the parochial politics. You then need some form of mechanism or instrument—you could call it a government instrument—that is large enough to have some strategic clout with State Government agencies, which can deal with things at a regional level but also deal with things at a local level.

The Hon. CHARLIE LYNN: There has been some criticism that the Federal Government does not understand local government issues. Is there an opportunity for a summit, in which the three levels of government could get together to discuss this issue, and could governance be the issue that is discussed at a summit level?

Professor SPROATS: My view is that any discussion has to approach it from a level of governance, not government; otherwise you get into territorial rights, and responsibilities between State and regional instrumentalities. Yes, by all means, a summit would be a good idea. Local government in this State is still a creature of the State Government. Local government has spent many years of energy trying to go for constitutional recognition. It is still a creature of the State Government, and it is likely to be so for the foreseeable future in any event, I would have thought. Ultimately, the State has to take some responsibility in doing the structural reform.

The Hon. CHARLIE LYNN: A number of people who have given evidence have said that no guidelines were issued about this amalgamation; they had to work out their own way to appear before the committee. What is your view about the process the State Government has taken in this regard to date?

Professor SPROATS: I do not really have a view in that sense, because I have another job at the university that takes all of my time. Local government is not front and centre in my mind; I do not know what is happening. A number of the council general managers I know have rung me and asked for advice. My advice to them all is to get involved; this is an opportunity. If they seek to resist, what will they achieve? They should get involved and be part of this process. I have not seen the guidelines, so I do not know whether they are clearly structured. From what I see, it is a facilitated process; it is a process of talking to councils, local communities and government agencies. All of that is the correct thing to do.

The Hon. RICK COLLESS: I am interested in your comments about local governance. That is a very good point. What are the key elements of local government reform? How would you progress it if you had control?

Professor SPROATS: I said in the report—and I still say it—that during the 1980s and into the 1990s most of the reform concentrated on the managerial level. I think I said in the report that by and large that has been reasonably successful. The old workplace arrangements regarding awards and whatever have been changed. I agree with the Prime Minister of Great Britain, who has said that the next era in Britain is the era of political reform. That relates to governance and how we set up mechanisms whereby genuine governance can occur. Many managerial reforms come up with things such as precinct committees and so on, which are contrived methods of consultation. I was in England last year, not looking at that issue particularly, but I keep an eye on what is happening internationally. The issue there is achieving mechanisms for genuine governance at the political level; that is, political in the widest and proper sense of the word. Those challenges must be addressed. How should we make decisions and how should we involve people?

I canvassed in the report things like why we need a local authority of 15 councillors to make local decisions about park benches. They are service delivery issues and most decisions relate to that sort of thing. My observation, and the inquiry only reinforced it, is that the important governance issues are things like public safety, public health and the alienation of youth. People are beginning to look at those issues at a local level and they are the reforms that are worth pursuing. It would be worthwhile to explore how these things might happen. How we can move this agenda forward?

My report suggested redefining—I am careful about the words I use—eight councils into four strategic-purpose councils. I suggested one council covering the ports and the seaport of the Botany area. It seems a bit crazy to have three or four different authorities dealing with different parts of the port and airport. Why not have a structure that is large enough to allocate experienced staff who can build up the seaboard and coastal areas? Honourable members know the problems facing the Randwick and Waverley area with the doubling the population every summer's day and how those issues are addressed. How do we deal with a local community that does not want anyone there? Those governance structural issues are more important than simply the size of a council.

The Hon. RICK COLLESS: You mentioned decision making. That is an important point. Is the method used by councils to make decisions inherently flawed? If it is, what process should they use?

Professor SPROATS: Any answer I give would be a gross generalisation if I said it was flawed.

The Hon. RICK COLLESS: I appreciate that.

Professor SPROATS: I have worked with many councils over the years. Those functioning well have a very strong alliance between the senior staff and the councillors. I do not pick it out simply because the Hon. Charlie Lynn is here, but Campbelltown City Council is very good. Over a long period the senior staff and the councillors have worked very much as a team, and there may be all sorts of reasons for that. Other councils have a gulf between the two groups. We will never get very sensible decisions about those issues. The notion of having this split between policy and the operational side with the council staff on one side and the councillors on the other cannot work because policy is not made in isolation of operation or vice versa. If we are going to put our mind to this and if we are going to have a national conference or whatever, they are the issues that need to be explored. How can we make better decisions? I have raised this publicly. If all we are going to have is local government as a service delivery mechanism and we want to run it efficiently, why have elected representatives if they are simply going to make decisions? My usual answer to councillors is that they are not there to make decisions but to make judgments. It is about judgments between competing values; it is about competing world views and different emphases. They are the issues we need to address. I do not have a simple answer because there are none.

The Hon. RICK COLLESS: You have given a good insight into that. I refer to constitutional recognition. Do you believe it should become a reality for local government?

Professor SPROATS: There is a difference between could and can

The Hon. RICK COLLESS: Should it be?

Professor SPROATS: My argument generally is that there is recognition of local government in this State. It is in the State Constitution, albeit that that Constitution is legislatively based and can be changed. However, if a State Government were to say—this is hypothetical—that we will not have local government in this State, it might be a measure of how much people value it. If honourable members were to look at the Victorian experience, where a unilateral decision was made—I hasten to add that I am not advocating that here—they would note that there was not a great groundswell of people saying that the Government had destroyed rights. In many ways that reflects a somewhat apathetic approach. There might now be an uprising because people are seeing the impact. I advise local government to prove itself so effective and valuable to communities that they will want it to have that recognition. It will then virtually have what it wants anyway. The New South Wales Constitution provides that there shall be a system of local government in this State.

The Hon. RICK COLLESS: I note your new role as the director of the Office of Regional Development of the University of Western Sydney. Do you believe that the current structure of local government is disadvantaging regional development, particularly in areas further from the main population centres?

Professor SPROATS: I need to clarify what we mean by "regional". In most political language and debates, "regional" really means "rural". I am embroiled in an argument with the Federal Government at the moment about whether Western Sydney is a region in its own right. Of course, that is a different argument. Does it disadvantage regional development? Where there is local parochialism, whether it relates to the alliances or some other mechanism, I am a strong advocate of mayors, the sensibleness of mayors, and the regional binding together of mayors. One of my criticisms of the ROCs is that by and large they are not meetings of mayors. One might be a mayor, but there is usually someone else from the councils at the gathering. If they were genuine forums of mayors that made regional-level decisions, we could move ahead. With regard to whether local government is an impediment to regional development in the rural areas, it is when it means that people do not talk to each other.

The Hon. RICK COLLESS: Would amalgamation overcome that or would it be better served by regional alliances that the Hon. Charlie Lynn was talking about?

Professor SPROATS: We have had continuing attempts at regional-type collaboration. The 1972 Regional Organisation Act divided the State into regions. It was about local authorities banding together as regions. Every State Government department was told to comply with the regions. It lasted two or three years because departments felt it did not apply to them. We need a serious definition of what we mean by these regions and work together to make them happen. Ultimately, it is getting the politicians together at the State, local and Federal level to do this sensibly and to deal with regions that mean something.

Ms SYLVIA HALE: You mentioned that there was an absence of a groundswell of local concern in Victoria about the amalgamations. Every member of the committee is aware of the intense concern manifested, particularly in rural areas. That has not been because people fear rate increases but because of the potential loss of jobs and further draining of people and resources away from their communities. What is a reasonable response to those communities that are so concerned about representation and the maintenance of their wellbeing?

Professor SPROATS: First, it is understandable because banks, post offices, rail lines and so on have been closed down. Councils have traditionally employed young people from the area. The assumption is that amalgamation will lead to the loss of all those jobs. The roads are still there and they still have graded and the water supplies and services still have to be delivered. There is no guarantee that some of those jobs will go. If someone were asking me, I would ask what is their vision of this new governance structure. Are they talking about a larger version of what is already there? I have said in my report that that would largely be a waste of time. It would be different if we were talking about ways in which a new local authority, in whatever form it might be, might address some of those jobs losses. The big councils all have economic development officers. How many small councils have someone with the time and energy to do that?

We must look at it in an entirely different way. What sort of instrument do we have to do the jobs that are there? Let us take Orange council, which was referred to earlier, Molong council, or whatever councils are around there. I know more about Bathurst and Evans councils. Who is to say that there will not be exactly the same number of people? There might be fewer councillors, but they might have more time and they might have a bigger budget so that they can do something about some of those things. One of the other issues is that they are not alone. Mayors can be powerful forums. They certainly are powerful forums in Europe.

I heard Alex Gooding refer earlier to Brisbane City Council. The real power in Brisbane is not Brisbane City Council; it is South East Queensland ROC—the amalgamation of those six councils. Jim Soorely drove that because it is an amalgam of mayors. The power is in the political arm of those councils, not simply in the size of a huge bureaucracy. Those sorts of issues need to be dealt with at the local level. If you are talking about Bathurst, Evans, Tamworth, Parry, Nundle and those sorts of places, one local community might not necessarily be swamped by the others. Surely we can work out ways to ensure local identity in a new system that will give those people a meaningful voice in the governance of their area.

Ms HALE: You said that councils should be confronting not just service delivery issues but issues such as public safety, health and youth alienation. In all the submissions that we have received councils seem to be saying that more is being expected of them by the Government because of mandates that have been placed on them by State and Federal legislation and also because of public expectations. The consistent theme is that councils are not being given the wherewithal to carry out their tasks meaningfully. It might not be a case of councils not being able to make these judgments or form these decisions; they are being deprived of the means to make them. Would you care to comment on that?

Professor SPROATS: We ultimately come down to the question of rate pegging. Fundamentally, that is what a lot of that is about. Rates are pegged within the existing structures of local government. There is room for flexibility. Many councils are provided with extra funding, above their normal funding, for particular projects. I said in my report that if we are to have the same type of local authorities as we had before, it is difficult to see rate-pegging changing. But if we are talking about—and this is what I would advocate—a serious new look at what local authorities might well be, we need to look at the way they are resourced. That is not just a simple question of lifting rate pegging, as I do not think that will happen. The argument I make is that simply to lift the level of rates

and to say, "Charge your people whatever you want to charge and increase your budgets so that you can do all those things" is not likely to happen.

As a ratepayer I want to have a good look at what is going on. In the course of what you are deliberating and in your recommendations to the Parliament, if you are seriously looking at new forms of local governance you must also look at new ways of resourcing them. It may well be that things are being done now that no longer need to be done. We are moving towards some of the decision making on property matters and building approvals and whatever else that can be done by other bodies, without an unnecessary level of regulation on them, and we can still have a measure of control over them. We always accumulate things. We always expect councils to do more—and universities are also expected to do more—without getting rid of things.

Ms HALE: You said earlier that the current process, in so far as it was facilitating discussion, was a good process. The Government said that it was concerned about councils with fewer than 5,000 ratepayers that were in a financially parlous situation, and that it was concerned about donut councils. That was the Government's original focus. It then sent a letter to all councils requiring them to come up with proposals for structural reform. In the wake of the heat generated by that—fairly belatedly in my view—and after deferring local council elections the Government announced that it would have three regional reviews. Do you think the Government has gone about this process in the most useful way, or has its ham-fisted approach generated much more concern and deflected attention away from the real issues?

Professor SPROATS: I cannot necessarily comment on the sequence that you have just described because I am unaware of some of those issues. My first knowledge of the changes—apart from a statement by the Premier—came about at the country mayors or shires association. A number of general managers that I knew spoke to me and said, "We have received a letter." That letter detailed the 30 August short-term requirements, followed by regional facilitation. I guess that was some time in July. You would know the letter better than I do. That is the first that I heard of it. Whether it was in response to an earlier comment, I cannot say because I do not know.

Ms HALE: Are you comfortable with the political uses to which your previous report has been put, or the interpretations that have been placed upon it?

The Hon. IAN WEST: You do not have to answer that question.

Professor SPROATS: I do not intend to answer that question.

The Hon. KAYEE GRIFFIN: Professor Sproats, you referred earlier to precinct committees. Do precinct committees operate effectively? Depending on what comes out of local government structural reform, do you think that precinct committees should have a broader role? What are your thoughts on that issue?

Professor SPROATS: I am not an expert on all precinct committees and I am not involved in their day-to-day operations, so my comments will be somewhat general. Even going back to the precinct committees at North Sydney, which in many cases is where they first started, by and large they were really still a consultation process; they were not a decision-making process. The consultation process will survive only if people believe that the consultation is genuine and it makes a difference to the final decision or judgment, or whatever comes. Many of the precinct committees that I have seen simply send an issue to the people, ask them to say what they think, bring it back again and they make the final decision. The point that I was making in my commission report is that if we are to have governance at a local level it has to be genuine governance.

We must not abrogate the responsibility of elected representatives, because most precinct committees do not comprise elected representatives. Councillors, or the political arm in those cases, are still accountable to the people. Many issues can be left to local communities to determine what sorts of things they want. Percy Allan made a submission to the inquiry, through Paddy McGuinness. There are many things in that submission and in that book that I think are worth looking at. I do not happen to have come to the same conclusion that they do, which is a multiplicity of tiny councils, but they canvass many things dealing with local choice, which is part of a much broader issue of

metropolitan-level governance. The two major thoughts are: local choice, so that you have many small units and people make their choices; or you have metropolitan-style governance.

There are various places around the world that go one way or the other. Plenty of academics are spending their time writing papers on it, but I have to say that I am not one of them. I refer again to the concept of local governance. You can call them precincts or whatever else you like, but if people do not believe that they have made a genuine contribution to the outcome you are really wasting their time when you are asking them to comment on various things. If council does not take into account what is happening, there are other ways of doing it. On a larger scale, Parramatta City Council has a problem concerning its central business district. Major decisions have to be made. It established a separate committee that comprises some external people, some internal people and some councillors who are responsible for making decisions outside the level of council. Certain things at a local level that matter to those people can be left with them to deal with, if they want to, with a small budget. There is nothing revolutionary about that; it has been going on for years. All sorts of small, precinct committees have managed community halls.

The Hon. KAYEE GRIFFIN: You referred earlier to State and Federal regions and boundaries. Local government could have a regional boundary with a State Government or Federal Government department that could impact on councils that were part of a voluntary organisation of councils. Would that impact severely on the ability of councils to make decisions, or would it impact on their ability to get through to those other levels of government?

Professor SPROATS: One of the shortcomings in local government at the moment is that the State Government and local government interrelationships are not always very effective. When you have State bureaucrats and departmental staff—and I use the term "bureaucrat" in a nice way—dealing with issues at their level, and you have councils seeking to do that, in many cases councils are very small fishes trying to deal with very large issues. This whole question of local government reform cannot be undertaken without looking at the way in which State government departments and instrumentalities deal with local councils at a regional level, if you want to call it that.

CHAIR: There has been considerable criticism of the current financial assistance grants formula. It has been said that that actively discourages amalgamations. Do you have anything to add to that?

Professor SPROATS: Not really, because I am not dealing with local government and I do not know the latest about the grant system. Are you referring to State Government or Federal Government grants?

CHAIR: I am referring to Federal Government grants.

Professor SPROATS: By and large, local government has gone out of the agenda at the Federal level. I remember the days when local government was a significant force at a Federal level, as was regional government. That is bipartisan. It has been invoked by both Parliaments. Currently at the Federal level local government is really not as strong. We have only to look at the bureaucracy to see how few people there are at a Federal level looking at local government.

CHAIR: Earlier you referred to tourism and to the fact that it was a difficult process for some councils to deal with. Is there any remedy or formula that might work to assist those councils? This is an issue to be found up and down the seaboard in both metropolitan and country areas.

Professor SPROATS: The short answer to that question is that I do not have any nice, trite answers that will solve that problem. Five years ago I made a comment that local government was a great photocopying machine.

If one council does something everyone else does the same thing. Some of you might remember the historic villages sequence. Forbes, I think, put up an historic village, then every council around the State suddenly had an historic village. There are many things in the tourism industry where they simply copy what others have done. If ever there was a need for local authorities to work in conjunction with State authorities and the relevant agencies or associations to devise sensible

strategies up and down the coast, and also out west, tourism would have to be one of them. I have read, not in the last couple of years, so many strategy plans where someone says, "We are unique. This is our uniqueness." You could change the words for 20 or 30 other areas or councils and it is exactly the same thing. This is one of the issues that need to be talked about on a regional scale. If you build the whole structure around that, how do you deal with other issues that have a different regional scale? The point I make is we need to work out mechanisms that allow us to deal with issues both at the strategic regional scale and at the local scale.

CHAIR: Do believe there is a poor relationship between local and State governments particularly in New South Wales?

Professor SPROATS: If you mean by "particularly" compared to other States, I do not really know. It is probably 10 years since I did a comparative analysis between the various States. There were some interesting comparisons at that stage 10 years ago. But it is also segmented. Some agencies get on well with local government and some general managers get on well with State government levels. I would be very loath to generalise nowadays, particularly in a comparative analysis between States.

CHAIR: Do you have any views on the role of the Department of Local Government in the structural reform process, particularly from your experience with the inner-city council's inquiry? Does the department have sufficient staff, resources and expertise to drive the process?

Professor SPROATS: I am not an advocate for the director-general; I am not his advocate. What has happened by the move to Nowra is that there has been a loss of corporate wisdom. I believe that is quite clear. The director-general has lost most of his senior staff—some have not gone down—and it is a very small department at the moment. My personal view is I would always advocate a strong, vibrant Department of Local Government. It is about dealing with reform in the governance area, pushing ahead with the governance issues I have talked about, not just simply dealing with administrative matters of regulation and accountability, all of which are important. I think the Minister no longer has the resources to push ahead on those big issues.

CHAIR: You made mention of a summit. Do you have any recommendations that this Committee could make to ensure that there is an opportunity for discussion between the three levels of government about the development of local governance, as you have termed it?

Professor SPROATS: If you are talking about a summit of the three levels of government, by raising it to the national level it is always the problem of very large council areas and taking a national view. For example, Pilbra, a local government authority in Western Australia has the same land area as Japan with 1,300 people living in it. That is an entirely different local authority from Blacktown City Council or Ashfield council. Are you going to try to deal with all of those issues in one summit? I would have reservations about that summit being more than just a talk fest of raising issues.

Perhaps it could be done State-by-State, or by dealing with the larger city councils and then the developing tourism areas in summits, rather than simply having a summit on local government. I am not sure I could see great things come out of a summit on local government. But then I have been proved wrong before, and my advice is not always taken.

CHAIR: Do you have any views on the Boundaries Commission and the current legislative process it follows for boundary alterations or amalgamations? Does the commission have sufficient flexibility? Is it sufficiently independent at present?

Professor SPROATS: I am not really qualified to answer that because I do not really know. I have had no dealings with the Boundaries Commission at all, I do not think ever. My report was not referred to the commission in the first instance; it was later on. Once I had finished my inquiry I moved on to other things. I do not have an opinion to offer.

The Hon. CHARLIE LYNN: Do you have a view on whether mayors should be popularly elected or otherwise?

Professor SPROATS: My view, which I have expressed a number of times, is that I favour popularly elected mayors. I come down on the side of popularly elected mayors. There are problems either way. If you have a system of election from within the councillors, you would like to think that there will be a commitment by the floor of the house or the chamber to that particular mayor. As an aside, I sat in a room, probably not too dissimilar from this room, in Mumbai, India, talking to the mayor of Mumbai, a council of 8.5 million people elected annually. I said to the mayor, "What is the biggest problem?" She said, "The biggest problem is 650 illegal immigrants coming to the rural areas every day." If you have been too Mumbai you will know what I mean. It is not for that reason.

The problem of popularly elected mayors is that if they do not have the authority of the floor or the chamber, then it can be a pretty tortuous time. The reason I favour a popularly elected mayor is at the moment with an annually elected mayor you have three months of someone settling into the job, six months of effective work and three months of getting ready for the next election. That is in its crudest and simplest form. The sort of issues I am talking about strategically need longer-term views and give an opportunity for a mayor to have some authority in a region, together with other mayors, of building some regional governance and strength. Taking into account all of those issues, I come down on the side of a popularly elected mayor. I have seen where annually elected mayors are very effective in what they do.

The Hon. CHARLIE LYNN: There have been discussions on the establishment of regional economic development organisations [REDOs]. I do not know whether they are still in vogue. Do you believe they would work along side regional councils?

Professor SPROATS: The current version of them is still in vogue in various places. Since the Second World War there have been moves to have regional groupings. Whether they call them regional economic development organisations, they have been iterations of the same thing. Ultimately until you give them some political clout—and this is why I have always advocated about the mayors—they just fundamentally sit alongside. We have the Greater Western Sydney Economic Development Board in our part of the world. I have been a member of regional boards in rural New South Wales. Ultimately they do not really have the political power—or, mostly, the resources—to do anything.

The Hon. RICK COLLESS: Professor Sproats, to what extent do you believe that the current paradigms surrounding the reform in local government are inhibiting the true reform process that you referred to earlier? How do you see that we can remove some of those paradigms to allow the reform process to get to where you believe it should be?

Professor SPROATS: I am not quite sure I understand what you mean by the paradigms of reform.

The Hon. RICK COLLESS: What is constraining the reform process at the moment, and how can we remove those constraints?

Professor SPROATS: One of the constraints is the fear that people have of the loss of the local identity—and quite understandably so if we refer to a small rural community. There have been councils out west where the same dynasty has ruled for decades. My usual answer to that is if the local community is satisfied why are we so concerned about it? There is that sense of loss. If we are just going to make bigger versions of what we have got and end up with that sense of loss, then that is understandable. But we need to talk to people and say what we are trying to do. The world has moved on and we have to deal with some of the big issues, like the closure of banks and all sorts of other issues. We have to deal with those questions. I lived in the country and my children all left to go elsewhere. I know what it is like when those sorts of things happen, and those issues are real to people.

One of the things is with many local councillors who are part-time without very much budget, there is very limited time as to what they can do to really address these issues. Maybe if some of the small communities had a councillor representing them on a larger council, for instance, but with some resources to really do something, then we can begin to talk about new ways of looking at things. By and large we elect a group of people in a small community with a very small budget. For many of

them they are little more than roads boards. They are the issues that need to be addressed, while ever there is a collection of small councils who actually get together and do something.

Ms SYLVIA HALE: Professor Sproats, currently amongst coastal councils and metropolitan councils the hot issues, if you had to identify them, would all revolve around development, particularly the perception by local communities that their interests are losing out to people with financial clout or large development proposals. In light of the fairly sorry experience of private certification and outsourcing, in your ideal model where local councils deal with local government issues, how would council deal with development issues? Would they still be the provenance of the local council?

Professor SPROATS: Local government or local governance is a political process. Putting aside private certification or whatever it is you want to do, it cannot be seen as an abrogation of ultimate responsibility. The political processes still are the final arbiter, decision and judgment. To simply make decisions on major developments that require judgements between competing values of local residents and the development of a local tourist industry, you know as well as I do what we are talking about. There need to be mechanisms put in place. It still needs to have that political process because that is where the final decisions need to be made.

CHAIR: Could you nominate any councils in New South Wales as approximating your idea of effective governance at a local level?

Professor SPROATS: I am reluctant to make any of those types of statements.

The Hon. HENRY TSANG: What impact would you hope this inquiry would have on the local government agenda?

Professor SPROATS: I have no comment to make on that. Any attempt at talking about it, as well as any serious discussion about it, is useful. I have written before about the whole concept of deliberative democracy where ideas are challenged. This is all bound up with the concept of judgement, as opposed to simplistic consultative democracy or participative democracy. Deliberative democracy is about serious discussion, debating and arguing your point against those of others. If this contributes to that within this State, then it has served a useful purpose.

The Hon. CHARLIE LYNN: The President of the Shires Association of New South Wales was one of the Committee's first witnesses. In a question to her I said:

In a submission to the Committee the Institute of Rural Affairs said that it has just completed an extensive three-year project developing methodology to identify rural council boundaries and determining institutional arrangements that will be politically acceptable to communities and the public and deliver multiple benefits for local government, rural and regional development, planning and integrated national resource management.

I asked her whether she was aware of that study, and she said:

Yes, it should go through the shredder. Let us start from where we are now. The State Government has given us a job to do and let us try to do it well ourselves. Let us not rely on the so-called experts on local government; let us work through the process in a very well structured, consultative manner. Then I believe we may get somewhere. The academics can keep their studies and their lines on maps—we are not interested in them. We will draw our own lines and work out our own maps. I think local government is big enough to do that for itself.

Would you care to comment on that?

Professor SPROATS: No.

CHAIR: We appreciate your attendance today. I think you have added a philosophical depth to our inquiry, and that is very much appreciated. Personally, your description of and elucidation on governance, as opposed to governments, can be well used by the Committee in its deliberation. I wonder if you might take a matter on notice. You mentioned the powerful forum of mayors in Europe, for example. Have you any other overseas examples of effective local government organisation that the Committee might use as a sounding board for its deliberations?

Professor SPROATS: There have been a number of very interesting and useful studies done in Britain out of its Department of Environment round the concept of beacon councils: picking out some selected councils and putting resources into them as beacons for other councils. There is useful material in that. There is the work of Robert Putnam on this whole question of local governance—much of it in writing—on his work in Italy, where he was working with small, disadvantaged communities. But he is an American academic, so you may not want to read that! He wrote a book just recently called *Bowling Alone*. All of that sort of material is around.

But there are other things in Asia. Several years ago I did a comparative analysis of local governance in 15 countries for the United Nations. It is available on the web. This country is not the only country that is grappling with this whole question of how to deal with local communities making decisions, because in some centres—and I do not want to open up a whole new debate on this—the inability of central governments now to control local affairs, Internet activities and financial movement of things, and all sorts of things I do not need to tell you anything about, have put pressures on countries. I did this over 15 countries in the Asia-Pacific, from Pakistan through to Fiji, China, Japan, all of those countries—and they are all grappling with exactly the same problems: how to deal with governance structures that allow people to have meaningful say and control over issues that affect them.

CHAIR: On that note, I thank you very much for your attendance here today. It has been very informative.

(The witness withdrew)

BRUCE RICHARD LUCAS, Mayor, Hunters Hill Council, 80 Princes Street, Hunters Hill, and

BARRY RONALD SMITH, General Manager, Hunters Hill Council, 3 Monti Place, North Richmond, sworn and examined:

CHAIR: Mr Lucas, in what capacity do you appear before the Committee?

Mr LUCAS: As Mayor of Hunters Hill Council.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr LUCAS: I am.

CHAIR: If you should consider at any stage during your evidence that, in the public interest, certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Mr Smith, in what capacity are you appearing before the Committee?

Mr SMITH: As General Manager of Hunters Hill Council.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr SMITH: I am.

CHAIR: Similarly, if you should consider at any stage during your evidence that, in the public interest, certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Gentlemen, before we proceed with questions, if either or both of you would like to make a short statement, that would be appreciated.

Mr LUCAS: Chairman and members of the Committee, I thank you for the opportunity to be here today. Let me say from the outset that any amalgamations of local government areas or boundary adjustments should only be voluntary, and then only after extensive community consultation, the making available to those communities of unbiased and non-political information that addresses the fundamental issues, financial and resource benefits, and the communities of interest that bring about economic and social benefits that are endorsed or rejected.

The inadequacy in funding that all councils have been challenged with over many years, through the slow but constant shift of State and Federal government responsibilities, has left for local government to pick up—generally without any funding, or, at best, funding on a dollar-for-dollar grant basis. Further, that has left local government with the legacy for future financing and maintenance. The effects of unfunded mandates are obvious to all those at the coalface and also to the communities who look to local government to provide a vast range of services. However, it seems to me that a percentage of say stamp duty revenue collected by the State and the GST collected by the Federal Government should be, or perhaps ought to be, passed directly to local government.

Rate-pegging is also a concern, considering the criteria for any special increases or variations, and cost impositions can be difficult to meet—and these special increases and variations are at the discretion of the government of the day. Incidentally, it is my experience that the approved percentage does not cover the cost of inflation or even cover the cost of the employer's wage adjustments. The current funding arrangements are inadequate to fund our ever-expanding roles and responsibilities. Communities' expectations of services have increased, and councils now need to consult at greater length, not only in respect of legislation but also to meet the needs of better educated and articulate residents who wish to be part of the process. Public meetings, working parties and focus groups are just some of the functions that the council must provide in order to produce annual strategic management plans that reflect community aspirations.

Councils' community commitments reflect a vast range of issues, which include child care, youth amenities, meals on wheels, assistance to the disabled, heritage, environment, waste minimisation—just to name a few. This, of course, leads to expansion of community service

departments within local government to facilitate and enhance those services, and at the same time provide community assets, with all the required ongoing maintenance and improvements, generally at peppercorn rents. Communities look to local government to provide those services, which once were the domain of State and Federal governments. As far as organisational structure is concerned, on this point I would conclude by saying: One size does not fit all. Each council should be free to determine what is required to meet commitments to the community's demands and expectations.

CHAIR: Mr Smith?

Mr SMITH: I would prefer to respond to questions from the Committee, rather than make any broad statements. The discussion paper I submitted to the Committee in relation to structural reform probably covers most of what I would want to say. I think some of the comments of Professor Sproats were rather illuminating. From my point of view, I have been in local government now for 32 years, and I have seen a lot of the fads and changes, as well as attempts by people to reform local government and make us work better. In that I include the last round of compulsory amalgamations in 1980. So I think I can bring a fairly broad, if not unique, perspective to some questions that you might want to ask.

CHAIR: Do you have comments regarding the current process by which amalgamation of boundary change proposals can be initiated, or the criteria by which such proposals should be assessed?

Mr SMITH: I think you asked a similar question of Professor Sproats. From my point of view, I was never worried that there were no guidelines. My view was that the Government was throwing local government a challenge: We want reform, so you tell us how to do it. That is one thing that local government has never had a real opportunity to do, or perhaps not been of a mind to do—rather than people telling us what to do all the time. To me, it was a piece of blank paper, and the opportunity was there for us to ask ourselves: Can we do things better? The answer should always be, yes. Well, let us have a look at the things that we think councils can do better, and let us put those initiatives or challenges back to the State Government—because there will be some interesting challenges thrown back to the government, State and Federal.

CHAIR: Putting aside the case for or against boundary changes in your area, do you think there may be merit in amalgamating some councils in New South Wales?

Mr SMITH: There may be. But, again, I suggest that is really the local community's decision. If we are going to have local democracy and local decision-making, it should be for the local communities to make those decisions. Clearly, when you look at lines on a piece of paper—and I will use the donut councils as a good example—if you have a shire surrounding a city, most people would ask, "Why?" That is particularly so when one council chamber is at one end of the main street and another is at the other end of the main street.

To most people that does not make a lot of logical sense, but you need to go into those local communities and understand why those boundaries are the way they are. I think the key issue is actually encouraging those communities to have that discussion and, again, it has to be without fear. If the fear is, "If we do not come up with the right answer then we won't be here", then people will not have those open and frank discussions about the sorts of structure that they want. It is about creating some sort of environment that encourages people to say, "Can we do things better? How are we actually going to do those?" And then let them make those decisions. In the end, if they make the decision that they want to stay the way they are, as long as it is logical and it is reasonable, leave it alone.

Ms SYLVIA HALE: At one of the hearings last week in Orange the comment was made that in fact the process that had been embarked upon by the Government had been counterproductive in that councils that have previously co-operated well now felt that they were being prised apart as one laid claims to another's territory. Is that reflected in any way in the Hunters Hill experience?

Mr SMITH: I would have to be less than honest if I said no simply because, for example, Northern Sydney Regional Organisation of Councils I think is a particularly strong organisation—it is the ROC that Professor Sproats was talking about in that it consists only of mayors—and we had

embarked on a regional process of reform of our own making. We started the process back in May before Minister Kelly wrote his little letter to everybody that said you have to do all these things. While we still had some things to do there was a reasonable consensus amongst those seven councils that one of the things we needed to do was to put the dirty "A" word in the background and talk about the things we felt we could do better and the things that we wanted to look at rather than concentrate on amalgamations.

Unfortunately, six of the seven councils held to that but Ryde City Council decided that it did not want to; it felt that, quite legitimately, it had another road that it wanted to take, it wanted to put some other ideas, which it did. But it became distracting, particularly for, say, Hunters Hill in the main because it meant that a lot of the work that we were doing towards the regional process had to be put aside while we responded to the Ryde submission. I think you will find in my discussions with other general managers and councillors as well around New South Wales that has not been uncommon where there had been good working relationships between councils but a council took a particular view of "Shock, horror, if we do not put a boundary proposal up then we are going to be outside the playing field". To be honest, I do not think the Minister ever said that. There was a perception by people that "This is about amalgamations", because every four years the same argument comes up, "We are on the merry-go-round again. It is about amalgamations". I have been part of this for 30 years and it has not changed, it is cyclical. Everyone brings up a merry-go-round about amalgamations again and again. Realistically, somehow or other, it has got to be removed and put into its proper context if you really want good reform.

Ms SYLVIA HALE: I think on the whole the strongest response to the talk of amalgamation has come from more rural areas but in Sydney it has probably been Hunters Hill and, say, Strathfield councils. In the case of Hunters Hill why do you think there has been such a strong community response to the prospect of amalgamation?

Mr SMITH: I think really it is demonstrative of what local communities feel about local government. They want their local council to be there; they want to be able to make local decisions; they want to be able to have input into local decisions; and their fear is that if local decision-making is removed from them then they will lose that ability. It is not so much a power thing, it is about the ability to be able to put their own points of view, and it is about understanding where their own particular communities are. A good example I can use is within Hunters Hill our population is about 13,500 and we are Sydney's smallest local government area, but it is a community, it is a true community. One of the proposals put forward by regional councils brings together about five councils. Even after they have brought the five councils together they will still only have a population of 9,500 but they will not have any sense of community because there are five communities being brought into one. A four in one council will not make one scrap of difference in the efficiencies of those particular local government areas. There is a structure that will do it for them but that is not it.

Ms SYLVIA HALE: Being the smallest council, presumably, in the metropolitan area, do you have any view then about the proposition that bigger councils are inherently more efficient councils?

Mr SMITH: No. I can demonstrate to you quite unequivocally, and I have some evidence here that I will table, that will show you that that is not necessarily true at all. For instance, one of the things that I did some time back as part of NSROC's submissions at the Tuckey inquiry and as part of this exercise, was just to take all the councils in metropolitan Sydney that are part of ROCs and look at what sort of revenue they have got, how much they spend, what their debt ratios are. You will find, for instance, using Northern Sydney as an example, the average revenue per capita is \$608, the larger councils in fact exceed \$608, and the smaller councils are below. But does it mean that because they are getting more revenue that they are more efficient? If you look at some of the other efficient measures then you would say, well, perhaps they are not. For example, the debt ratio on average is 2.54 but the two largest councils have debt ratios significantly in excess of that. You might say that shows they are not particularly efficient but, again, that is part of the problem with the comparative analysis. If you do not actually look at those indicators and look at why they have come up with those particular reasons, the statistics do not always tell the true story, there are always lots of reasons behind that.

What this would also show you is that in older local government areas there is more reliance on rate revenue than in the newer areas. In western Sydney there is a lesser reliance on rate revenue but a greater reliance on things like section 94 contributions. It is because the infrastructure in the older areas is already in place, and the infrastructure in the newer areas is not. You are not really comparing apples with apples. Unless you do that type of analysis and accept that every area, every region, every council is different, you will never understand what local government is really all about. I think that is a fundamental flaw of bureaucrats in both the State and Federal governments.

The Hon. RICK COLLESS: Councillor Lucas, do you believe that local government has the capacity to look broadly enough at the issues with respect to local government reform?

Mr LUCAS: Yes, I do. I think not only do we have that capacity but I think after this reform process comes towards its climax it will actually nudge the State Government to know where their reform package is then to be laid to compensate for the reforms that we wish to put in place. I think that is one of the benefits of this. In fact the other tiers of government will have their shortcomings highlighted and perhaps reform in those areas is only tantamount to the existence of local government.

The Hon. RICK COLLESS: It probably does not apply to your council, I am talking in general here, but the smaller councils, particularly in rural areas, can sometimes be very parochial about their own local council for very good reasons, but do you believe that sometimes those reasons can cloud their judgement when it comes to looking at the bigger picture that might be needed in the reform process?

Mr LUCAS: No, I do not think so because I think these days most of our communities, whether they are in regional country areas or metropolitan areas, are far better educated, they have more access to the Internet and other information and they are switched on, they know what is going on these days and I think they can relate very much better with their local community rather than looking at a broader picture that may or may not give them what they have always expected to have or could have through the reform.

The Hon. RICK COLLESS: Given that you are one of the smaller councils and there are opportunities for working with other councils in terms of the provision of those corporate services functions as opposed to the service delivery type roles which are very important for the community, do you think that there is a potential there to develop some sorts of alliances or maybe even some more formal amalgamations of the non-service delivery functions that council performs?

Mr LUCAS: I am sure there is a great chance for some sort of alliance between councils or regional councils. North Sydney ROC itself is looking down that avenue now of how we can co-share or whatever. There are plenty of avenues open to do that in order to provide better service delivery. I am sure there are possibilities there.

The Hon. RICK COLLESS: Do you think that those should be formally and legally bound or should they be left as a more informal type structure as has probably been the case in the past with the ROCs?

Mr LUCAS: I think over my term in the past three or four years on council I do not have that sort of wealth of experience that perhaps our general manager has but I am sure, perhaps like the former waste board service, there could be a board that oversees a lot of these infrastructure works that could be put in place. That is a possibility. I would leave that to the experts, the sort of professional staff, to advise council on the best way to meet those objectives.

Mr SMITH: Certainly there are some terrific opportunities to look at. There are some examples of things we are already doing in Sydney that meet exactly the sorts of things you are talking about. For instance, with library services, Hunters Hill and Ryde already share a library service, but there is a bigger library service called Shorelink which is five northern Sydney councils in relation to libraries and NSROC, in conjunction with the Shore Regional Organisation of Councils [SHOROC] have just completed expressions of interest for a joint tender for waste disposal. It will go to a formal tender process shortly and that will cover waste disposal for all of northern Sydney. I do not want to give much detail about it but all of our garbage has got to go somewhere, it cannot

continue to go to Lucas Heights, so we have taken the initiative on from the former waste boards to figure out how we are actually going to do that.

There are some difficulties with that, and I will go back to your point about formalising some of these things. For instance, within the ROCs because that is a tender process, you need seven resolutions from seven different councils to make something happen. It is absolutely plainly ridiculous. This is where legislative change for the State Government will come about where once a council has made a resolution to delegate a power to a ROC that should be the end of it, the ROC can actually get on and do it. At the moment it cannot and to try to get seven resolutions from seven councils that meet on seven different nights of the week once a fortnight or once a month, and trying to make commercial decisions, you simply cannot do it.

We have just started a benchmarking program in NSROC as part of our regional review. We believe that there will certainly be opportunities for either the whole of the group or some of the group of councils to get together. A lot of those back office functions with technology the way that it is today across the seven councils, there are only two computer systems so why have they not all got a computer sitting in a room somewhere in council? They do not need to do that.

The Hon. CHARLIE LYNN: Professor Sproats spoke earlier about the strong identification people have with a suburb. I suppose Hunters Hill is a good example of that and I suppose that is indicated by the amount of submissions we have got from Hunters Hill. People obviously closely identify with their local area. Do you have any concerns with what I would term predator councils in your area trying to grab some of your estate through the amalgamation process rather than the reform process?

Mr SMITH: I think we had concerns with one but as of last week it is not a concern anymore because the Minister decided that he would not refer the proposal to the Boundaries Commission. That was a very positive move. I would like to think that a lot of that came from the fact that we put in a very good response in countering that particular proposal they put forward but I think it was also the response from the community indicating that very clearly they did not want that to happen as well. I guess the flaw in that particular council proposal was that they did not actually do any analysis, they did not try to reason or analyse why they wanted to do it. It is very easy, and I guess this probably applies a little bit more in the bush, where in the interests of self-preservation you say, "We will make a boundary change because we have got more people. Bigger is better. Let's move the line here", to align with the river or a ridge line or something or other like that. If you look at our submission, and I have got copies of it before you, you will see that the major point that we tried to make in our submission was this notion of community interest which most people simply do not understand what it is.

I guess that is the real essence of the suburbs: Where are those communities of interest? People are not necessarily that interested in their council area until something happens. When it does happen people suddenly galvanise, talk to each other and say, "Hang on, these things will impact on us. What will we do about it?" I doubt that you would ever get in New South Wales the same lackadaisical response to major local government change that they got in Victoria.

The Hon. CHARLIE LYNN: We have talked about amalgamations and heard about strategic alliances—of which you have given a couple of examples. Can you comment on Professor Sproat's view that rather than considering amalgamations and alliances we should examine the concept of local governance? What is your view about that?

Mr SMITH: With due respect to Kevin Sproats, who was my mentor on my thesis, I must disagree. I think he is right in terms of governance but I think those things can be done within the existing structures. My fear is that doing what he suggests would create different or new structures, which we do not necessarily need. It is not a new phenomenon for us. People like me have had to consider governance issues in local government since 1993 when the legislation changed, and we have continued to look at them. Other things that have happened more recently—you are all probably aware of the Independent Commission Against Corruption investigations and so on—have made us even more aware of our need to strengthen governance issues in local government. For instance, the Local Government Managers Australia has just put together a task force to look at governance issues across our industry, and hopefully we will be able to work with people on that issue.

The Hon. HENRY TSANG: Hunters Hill and Strathfield councils are the most strongly opposed to any form of structural amalgamation. Mr Lucas, you said that those two councils also have very strong community interests. Would those community interests involve the perception of preserving community values? Would that be the reason why the community opposes any consideration of structural changes?

Mr LUCAS: I would not have thought so. Property values are probably the last thing on most people's minds. It certainly did not figure in our opposition to Ryde's proposals. Others may have thought of it privately but it certainly was not an issue. I do not think it was raised at all. I do not think it is an important factor. I think the really important factor is that people feel the need to belong to a certain area for certain heritage, conservation and social reasons. Property values were not part of the equation.

CHAIR: Thank you for appearing today before the Committee. We appreciate the fact that you represent a very activist community and we would like to thank your appearance before the Committee prompted the Minister's announcement—we can only hope. Your local area examples are certainly significant to our deliberations, and I thank you for your contributions both in writing and today.

Submission tabled.

(The witnesses withdrew)

PHILIP NORMAN JENKYN, Co-Convenor, Save Hunters Hill Municipality Coalition, 30 Woolwich Road, Hunters Hill, and

ROSS ERNEST WILLIAMS, Co-Convenor, Save Hunters Hill Municipality Coalition, 70 Mary Street, Hunters Hill, sworn and examined:

CHAIR: Are you each conversant with the terms of reference of this inquiry?

Mr JENKYN: Yes.

Mr WILLIAMS: Yes

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Before proceeding to questions from Committee members, I invite you to make a brief opening statement.

Mr WILLIAMS: Thank you for this opportunity to appear today before the Standing Committee and to present some information. I represent the Save Hunters Hill Municipality Coalition, and our documentation that we have submitted to the Committee gives the necessary background as to who we are. In a nutshell, we represent the broader community of Hunters Hill—and to some extent beyond it—in articulating what the community believes are the important factors regarding the municipality and the things that bind us together. I will address briefly several of the terms of reference of the inquiry and then my colleague Mr Jenkyn will follow up with some of his views about other terms of reference.

The first area that I need to address is the adequacy of current funding arrangements for local government. Although the coalition is not involved in the administration of the local area—that is clearly the council's role—in my previous capacity as long-term mayor and councillor of Hunters Hill I have a view about the adequacy of current funding arrangements for that locality and for local government in general. It is clearly not adequate—and it is the same across local government. Rate pegging and the continued devolution of roles and responsibilities from both Federal and State areas have eroded the capacity of local government, and Hunters Hill is no exception. In relation to rate pegging, over the past 20-odd years Hunters Hill has been unable to increase its rates beyond less than 1 per cent below the inflation rate. During that time Hunters Hill and all other local government areas have seen their rate bases eroded by at least 20 per cent or 25 per cent—and that is leaving aside the other imposts put on local government with no adequate funding to support them. My response to the question of whether funding arrangements are adequate is that they are clearly not adequate, and a new model could be considered in that regard.

Improving productivity is not the answer. That is being done. It was clearly demonstrated when I was mayor in the early 1990s during the major change in the legislation that you can squeeze only so much out of a stone. I believe local government, particularly in Hunters Hill, is very efficient in its service delivery and has thought long and hard about optimising its relationships with surrounding bodies, whether they are local government or external providers.

The other terms of reference that I would like to touch on is the local community's expectations of service provision by local government. The community in Hunters Hill has high expectations not only of efficient and effective delivery of daily services but in terms of community policy making. I think that is the reason why we are here today. Efficient and effective services can be delivered through a range of mechanisms, but the crucial point, and the driver behind the community of interest in Hunters Hill, is the desire to produce local community policy. That is what local government in Hunters Hill is very good at, and it is something that I strived hard to maintain and preserve during my time in local government. To a large extent, that is the key driver and it is what makes a small council area such as Hunters Hill work effectively. It values its community policy-making role and its efficient operation.

Your terms of reference (d) refers to the optimal organisational structure for local government. I guess that you have heard about a range of structures but I believe there is no one

optimum structure. For example, Hunters Hill is an effective, viable and vibrant community policy-making body that also provides efficient services. It clearly has a well-defined community of interest. For example, the Sutherland shire—which everybody calls "the shire"—is a large corporate organisation that is driven basically by its community of interest. There is no one-size-fits-all approach; you must look at the merits of each structure and local community expectations. I thought long and hard during my years in local government about the optimum structure but I do not think you will come to it. The communities must work out what they believe is the best way of delivering services and then overlay that with modern administrative practices to get efficient services on the ground.

Hunters Hill has experience in that area, and I can proudly say that I was at the forefront of the initial change in the early 1990s when councils entered a new world of corporate governance and governance arrangements. But we must be very careful that governance arrangements do not focus on the corporate because local government is not a corporation; it is about people and about providing an opportunity for the community of interest—a group of people—to manage local affairs. We must do that efficiently and effectively, but it must be based not on size but on community of interest and on a community's desire to lead its own destiny. I believe that is consistent with the Government's position on devolving to the local community the ability to make decisions at a local level. The optimum size or organisational structure for local government is whatever fits the local community of interest within the best co-operative arrangements between councils and outside suppliers.

Mr JENKYN: I will deal briefly with terms of reference (e), (h) and (j). As to the criteria for amalgamations or structural change, while the Local Government Act sets out those considerations, the most critical one is community of interest and the sense of belonging. In the case of Hunters Hill, that sense of belonging spreads right across the municipality. It does so for a number of reasons. These include probably the fact that the municipality has retained the same boundaries for 142 years, the fact that it is surrounded by water, the fact that it guards some of the most important heritage in the State and has more heritage per head of population than any other area of the State, and the fact that its people have a history dating back 30 years and well before that of fighting to retain these values. A combination of all these factors has an important effect. Whether we are addressing this issue, standing against the Commonwealth regarding defence sites or trying to save our high school, we have a tremendous spirit for all those reasons. We do not want to touch that. Local government seeks to encourage a feeling of belonging within a municipality.

As to residents' views, we held a referendum in Hunters Hill at the time of the local government election in 1999. Some 80 per cent of voters in that referendum said no to amalgamation. On 17 September we had the largest public meeting ever held in our 142-year history—we will tender further video copies of that meeting. A unanimous resolution was passed at the public meeting to reject the Ryde proposals because they were without merit and to keep our own historic boundaries.

We have started a petition, which we got halfway through when last Friday's announcement was made so we will not complete it. However, the first page has been completed. In fact, the second page and many others have been completed, but I will table the first two pages. Every Hunters Hill Citizen of the Year who is still living has signed the petition for our municipality. Every former mayor of Hunters Hill who is still alive has also signed it. In Barry Smith's documents, every councillor, including two mayors, have signed the petition. There is a huge number of signatures; we were well over halfway when we decided to call it a day after last Friday's announcement.

With regard to paragraph (j), which refers to any other relevant issues, the public interest is a crucial "other" issue. Hunters Hill guards its heritage and takes that role very seriously. In a sense, we are but trustees for this important heritage area. Most of our municipality is a conservation area. The expertise of the council in dealing with heritage and environmental issues, which has been developed over many years, is without parallel. I can tell you, you would not want certainly Ryde to have anything to do with our heritage. Frankly, the State Government has devolved a lot of these issues to local government. We are not trying to put up our hands and say we are anything special, because we are not. But we guard our heritage very well, and that is why we are recognised as the most significant heritage municipality in the nation.

Last Friday, while we were busy doing all our things to protect and save our municipality, there was a ministerial announcement. The end result was that the Minister accepted the submissions

that were being put forward—not only in Hunters Hill but by many people outside Hunters Hill—and rejected the Ryde proposal as being inadequate, as it clearly was.

I wish to table a number of documents, including the press release of the Minister dated 24 October, the press release of the Save Hunters Hill Municipality Coalition dated 24 October, the first page of the signed petition, the letter to the Chief Executive Officer of Ryde City Council asking it to withdraw the proposal, together with an eight-minute video version of the public meeting that took place, which paints a very brief picture of what the campaign was about. I have been asked by the Hunters Hill Trust to table the, *Heritage of Hunters Hill* which is the Hunters Hill Trust book, in which Hunters Hill citizens itemised all their heritage in the days when we were struggling to save it, and the Vision and the Struggle, which is the story of the saving of Hunters Hill in the first 20 years.

Documents tabled.

CHAIR: Could you enlighten the Committee as to what prompted the announcement at this stage?

Mr JENKYN: I think there were a number of things. The announcement says basically that the Ryde proposal does not get to first base. It did not provide for things that the Government required to get off the ground with the proposal. The Government's announcement did not get to the merits argument. The Ryde proposal was not a proposal that could even be looked at by the Boundaries Commission. You will see from the submission we put to you, and to lots of other people, that we based our arguments upon merit—that is, that it is a viable council, it does guard the nation's heritage, and we take that very seriously and we do it well.

There is an unbelievable community spirit in Hunters Hill. I will be accused of championing my own patch, but in my 62 years I have never seen a community spirit and sense of belonging anywhere else as within that municipality. Our municipality includes the eastern side of Gladesville, Boronia Park, Huntley's Cove, Huntley's Point, Henley, Hunters Hill and Woolwich. We have the second oldest rugby club, after Sydney University. Why? Because we have had the same boundaries for 142 years. Over all that time we have had all these institutions, groups and things that bind us together in the same geographic area. We have people whose parents also lived in the area. We are surrounded by water. It is the same with Pittwater. The whole of the Pittwater area, between Narrabeen Lakes and the Palm Beach, there is the same feeling, because of the natural beauty of the area and people's sense of belonging.

The Hon. HENRY TSANG: Your community seems to be so professional. Do you think that your boundaries should be increased? Part of the surrounding areas have a similar character to Hunters Hill, with its water, natural beauty, and so on.

Mr WILLIAMS: I think the recent experience we have had put that to bed. The statement by the community was "within the Hunters Hill boundaries". This would have been an opportunity for those in Ryde who felt that they were part of Hunters Hill to put up their hands. The publicity and the community outpouring was large enough to have raised interest from across the border of Hunters Hill. That did not happen. You can drive around anywhere in the municipality and you will see banners up in front of everyone's houses, right up to the border and right along the border of Pittwater Road, but it does not go across.

I believe we have stated very clearly where those boundaries or community of interests stand, and in my view there is no evidence to suggest that there is a community of interest beyond that that needs to be captured within the municipality.

Ms SYLVIA HALE: Do you find it at all perturbing that the Minister has—somewhat arbitrarily I think—decided to dismiss Ryde's claims on the grounds that they do not meet certain criteria, but there has been no public examination of other council proposals that have been made? We all know of the rejection of other proposals. The Minister seems to have made a one-off decision in this case.

Mr JENKYN: No, I do not think he did. I have no criticism of the Minister at all in relation to that. When you read the Ryde proposal, which has been tendered by the council, and you look at the

response of the council and our response to it from the community, clearly it did not deal with the necessary matters as required by the Local Government Act. It had not provided the evidence; it had not consulted with anybody. It did not even consult with Ryde residents, let alone anybody it was going to take over. We have always been on good terms with the residents of Ryde; it is just that we were a little unhappy with Ryde council, and we want to move forward in relation to that. But I would have to say it was the worst proposal you will ever read.

Ms SYLVIA HALE: A number of councils have complained about councils that proposed poaching some of their territory, that those predatory councils have not engaged in any consultation processes either.

Mr JENKYN: I cannot speak about that. But you might find that those councils did deal with the necessary ingredients under the Local Government Act and put a case for this and a case for that, et cetera, that has to be looked at. It might be rejected, because the case may be weak. But the point we are making is that you cannot criticise the Minister, because the proposal did not even get to knocking on the door.

Ms SYLVIA HALE: If the Government is to contemplate changes to council boundaries or merges, do you have an opinion as to the criteria that should be used?

Mr JENKYN: I think the criteria referred to in the section of the Local Government Act which sets out all those ingredients—including community of interest, geography and viability—are adequate, because each will be different and one may be more important than another. But if you were to ask me what is the most important thing, it is the sense of belonging. Our communities are breaking down all over this country and around the world. Why? Because people feel isolated, they feel that they do not belong to anything; no-one is listening to them; they feel ignored. It is important that communities do talk and get along, that they converse and make decisions. I have not worked out how many millions of dollars are saved in voluntary hours worked on the numerous community and council committees in Hunters Hill. None of that would ever be factored in by the economic rationalists. But I can tell you, I know of people who give days in time every week. These are people whose hourly rate would be very high. And they do it voluntarily, because they have this love and feeling for the area.

I will not say that the community runs Hunters Hill council, but I can tell you they have a large input into the various aspects of the social, environmental and heritage component of it. Hunters Hill council is one of the first councils to have a heritage advisory committee, and we have acted as a model; it goes back a long time. All the work of heritage experts and other experts is voluntary. How much would it cost if you had to pay them for that work? Who puts this into the equation? It is enormous. If you throw us into Ryde, all that would dissipate over time. Who then pays for it?

Ms SYLVIA HALE: The assumption that is always made is that bigger is better. Do you think a case could be made that larger councils would operate in a manner that is more responsive to their residents if they were smaller?

Mr JENKYN: I was here on Thursday, and I thought that the person who spoke on behalf of the Shires Association was brilliant, as were others. They made the point that the question of size is an irrelevancy; it is a red herring to this. Local government is not like State Government, where you must have so many electors equal. It is about what works for that community. That may mean that Hunters Hill, because of its heritage, its environment and everything else, really does work, so do not touch it. Do not expand Pittwater, to go back into Warringah. I was involved in that fight. We spent ages breaking away from Warringah, for a very good cause. It would be nonsense to put it back, because it works. The area may be huge, but everybody belongs to it and loves it. If it works, do not touch it. That is what should guide us.

The Hon. CHARLIE LYNN: Where are you going next?

Mr JENKYN: I am going to have a sleep.

The Hon. CHARLIE LYNN: You said earlier that you had a concern about Ryde having some form of control over the heritage at Hunter's Hill.

Mr JENKYN: Very much so. On the longer video a Ryde resident on the heritage committee, which is only very recent, got up and told the truth, which is hard sometimes if you live in an area like that. People in Ryde who are knowledgeable about heritage said that everything she stated was correct. I am not being critical of Ryde. It builds big developments and so on. Do not quote me, but we have 225 items on the national estate in our little municipality and 1,240 heritage items. I think Ryde has 19 items on the national estate in its big area. One could say that it is not as focused on it. To throw us into the unfocused Ryde scenario would be a disaster. I hope that does not sound like overstatement, but it would be a disaster.

CHAIR: You have clarified much of what has been said around the general New South Wales small local government community, both outside and inside this inquiry, particularly in terms of local government not being corporate but about the people. Your examples of this area as a community of interest are valuable information for the inquiry. I know many honourable members have said that local government and social capital, as you have so well described, must be a part of our deliberations and reporting. I thank you both very much for your contribution. It is very worthwhile in terms of the continuing nature of local government, however we see it. Social capital is very hard to quantify, but we all respect that it is vital to the functioning of local communities. Thank you very much for your valuable input.

Mr JENKYN: We thank you for the opportunity.

(The witnesses withdrew)

(Luncheon adjournment)

JOHN HEYWOOD MANT, Lawyer and Town Planner, 26B Caledonia Street, Paddington, affirmed and examined:

CHAIR: In what capacity are you appearing before the committee?

Professor MANT: I am Adjunct Professor of Planning at the University of Technology Sydney. I believe I was invited in that capacity. I am also appearing as a consultant to local government.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Professor MANT: I am.

CHAIR: If you consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be seen or heard only by the committee, it will consider that request.

Professor MANT: Yes.

CHAIR: Would you like to make a short statement prior to questioning by the committee?

Professor MANT: My involvement with local government in this State largely relates to the fact that I was the main consultant on the rewriting of the Local Government Act that resulted in the 1993 legislation. Various parts of that legislation reflect my views quite strongly. I occasionally act for some developers as a planning consultant and for some councils. I have consulted to various councils on organisational matters and, for my sins, which must have been grievous, I am presently the President of the Paddington Society, which is a community heritage organisation. I see local government from various perspectives as a result.

When we wrestled with the governance provisions for the 1993 legislation there were a number of strands we were attempting to tackle. One of the key issues was the fact that one had to design a governance structure that suited councils that were very small and urban, very small and rural, very large and urban and very large and rural. There was an enormous variation in the function size of councils throughout New South Wales. It is very difficult to say that one set of governance provisions applies appropriately to each. In the end we finished up putting the bare minimum in the Act and in effect leaving it to each council to decide how the council would relate to the mayor and the mayor would relate to the staff and so on. The Act did provide for the creation of the position of general manager, which had previously not existed. We had had an engineer and a clerk sharing management. We put the general manager in charge of the staff.

We were conscious there were two ways to look at a council. First as a strata title corporation that looks after the common property. Hunters Hill is essentially a strata title corporation. It collects rates from local people and looks after roads and parks and administers bylaws about who can change their property. In this sense it is virtually the same as the strata title corporation of a large unit development. At the other end of the scale is somewhere like Fairfield, where I have done a great deal of work over the years. The councillors see themselves very much as the Government of Fairfield. They recognise that no-one cares about Fairfield but them. They see their role as very much concerned with all aspects of the health and welfare of the people of Fairfield. For example, when we did a strategic plan with the councillors, No. 3 on the list of outcomes they wanted to achieve was a future for the kids of Fairfield. That clearly demonstrates that they were concerned about more than the state of the roads and the parks, and rightly so. That is the range we are dealing with: Hunters Hill with 13,500 people and Fairfield with just under 200,000 people. It is a totally different community.

We would like to see Paddington as a separate local government body being a strata title corporation for the Paddington suburb, which is a heritage suburb. The legislation provides that the only person we must employ is a general manager. Theoretically, we could have a Paddington council with, say, four people, a part-time general manager and a contract with Woollahra, South Sydney, the Sydney City Council or whoever was prepared to give us the cheapest price to carry out the operation of the council of Paddington as a contractor. However, we would make budget, represent the people, and the general manager would ensure that the contractors performed. That would be legal under the

legislation. As I said, we can go from something like that to something like Fairfield, which has an outcomes division and an officer responsible for each outcome. It acts very much like a proper government.

In my view there are two fundamental things wrong with local government that we did not solve when we rewrote the Act. First, there is no separation of powers applied to a council. A council is seen by parts of the legislation as a board of directors running an efficient service operation. As boards of directors, the best are like the NRMA on a good day, in that the Government and the Opposition are participants. A council is a Parliament. It is elected, it must meet using parliamentary rules of debate and it must meet in public, unlike a cabinet or a board of a corporation. Therefore, it is a parliamentary body trying to be an efficient executive and also a fair and proper judicial body, because the most difficult issues it must deal with are development approvals. People's applications are judged according to a set of rules and the decision then goes to a court, which demonstrates that the decisions are not parliamentary decisions but judicial or administrative law decisions. Clearly as a Parliament they are ill equipped to make those decisions. I do not mean personally, but the process they must use to make those decisions is a parliamentary process and not an arbitral process. It is no wonder that almost all council meetings dealing with development matters end with everyone leaving the chamber in a fury. It is the wrong process for the nature of the decisions being made.

We will never get it right if we continue to ask a parliament to play a judicial role. One thing that I have been pushing is the independent hearing and assessment panel, which a number of councils have now adopted. The panel conducts a proper hearing in a more judicial mode and it makes a recommendation and report to the council but, at the end of the day, the Council still make the decision. Interposed between the staff and the council making the decision is this independent hearing where things are properly aired and where people feel they are being properly dealt with.

CHAIR: Would that be staff and councillors? Are you talking about a hearing process or about a focus group of some sort?

Mr MANT: No, it is usually a group of four people, only one of whom comes from the local area—a community person. Usually the hearing, which is chaired by a lawyer, has on it a planner and an architect, or somebody who is interested in environmental issues. They come from outside the council area and they are selected by council. There is a panel of people who become known for doing this sort of work. They have nothing to do with the application until they sit down and conduct the hearing. So, in that sense, they are more like a judicial person. We found them to be very good for staff, because they are properly treated. Sometimes when they go before councils they are not, as you would know, Mr Chairman. In that sense, I am referring not to you; I was referring to your local council.

CHAIR: The issue could be debated both ways, but outside the confines of this Committee.

Mr MANT: Applicants and third parties are properly treated. There is a reasonable amount of time within which to deal with the issue, rather than the usual three minutes or four minutes that you get in front of a council meeting—whether it is a huge development or a simple one—often at 11 o'clock or 12 o'clock at night. These meetings are held at more sensible hours. So it is just a much more formal, but not overformal, process suitable for the nature of the decision that is being considered. As I said earlier, the decision still finishes up in the council chamber and, for the most part, councils adopt the recommendations, but by no means always. Council is obliged to make the report public so that the public know where the independent group came to on the issue. Obviously that imposes some discipline on council not to totally ignore it when it is obviously a sensible report and recommendation.

It is a nice balance of getting the proper process but still leaving the decision in the hands of elected representatives. More and more councils are adopting this. As some councillors at Fairfield say, "Thank goodness the phone has stopped ringing and the lobbying goes away." That, in my view, is totally proper. Councillors should not be lobbied outside a public forum by applicants or objectors to development applications. I say that having been an ICAC commissioner on an occasion. When people get upset about development applications one way or another the panel enables councillors to say, "Go to the hearing. You will be properly listened to, your comments will be taken on board and they will be responded to in a proper fashion."

The first thing is that councils do not work because we ask them to make their decisions using a parliamentary process, be they an executive, a parliamentary or a judicial type of decision. We do not ask the Parliament to do that. We have a Cabinet of the Government and we have a bunch of judges and administrative tribunals to deal with those sorts of other decisions. I do not see why we should think that councillors could put on those three hats and operate effectively.

The second area where I think councils fall down is less formal and not one that really can be dealt with so much by legislation. Essentially, they have an eighteenth century or nineteenth century organisational structure of what I call input or output people or guilds. The classic standard council organisation comprises engineers as one division, planners, health and building people as another division, the clerks in the administration division and, as I sometimes say as a joke—but it probably is not really a joke—the women out the back in the library and in community services. Happily we are seeing more women in the mainstream of local government, but it is only in recent years that that is the case.

The problem with that type of structure is that it is very difficult to make anyone responsible for a complex outcome, such as the health of the catchment or the nature of a place. In those councils that have adopted an outcomes approach and had officers made responsible for the catchment, the open space system, the waste cycle, the future for the kids and the various places for which council is responsible, in my view we have seen a huge increase in effectiveness and efficiency. Councils do themselves a disservice being organised as they have been traditionally because they are multifunctional organisations. They are capable of addressing quite complex situations but, organisationally, they put themselves in a situation where they find it difficult to deal with complex situations. As a consequence, we often find very poor places and catchments that are not properly managed. One of the problems with councils is that we have not structured their governance properly and they have not made the best use of their organisational resources. That leads to demands for reform.

Reform tends to be, in a simplistic version, "Let us do something about the boundaries." I see little point in amalgamating two inefficient councils to make one big inefficient council. Boundaries are a means to an end, and not the centre of reform. As I said earlier, I think it is quite possible to have a very small council run very efficiently, using contracts. It is possible to have a very good government of the people in a large council that wants to exercise regional influence. It depends on what you want to achieve. One of the problems that we have had in the past with amalgamations is that one cannot think of a worse way of going about an amalgamation than the way in which several Ministers have said they have to take place—that is, if you put two councils together the staff on those two councils are entitled to retain their positions for up to two years.

I could not think of a worse way to treat people than that. It is allegedly put forward in order to protect staff, but it is the worst thing that you could do for staff and it does not create a competent and efficient organisation. You finish up with two groups of staff and two groups of councillors who are at each others throats for two years to see which of the two people bidding for the positions of general manager, or whatever, wins out. When you look at what happens to people in those circumstances you see that it breeds enormous negativity and it creates great stress. There is a concentration on the past and the political constituency states that the whole amalgamation is failing because it is in its interests to try to undo the amalgamation.

If you have two councils that you want to amalgamate a new organisational structure should be designed for the new council, hopefully on a quite different basis to the old ones. Staff on the two councils should apply for the number of available positions, which are the only positions that you need. Those who are unsuccessful should be guaranteed work for two years or more, but as consultants to the core structure. Once everyone has a position in the new organisation, old organisations should be wound up. On day one you are immediately operating with a new organisation designed for the job to be done, with a newly elected council. You could make out a case for amalgamation if it is done like that. It is difficult to make out a case for amalgamation when it is done in the way in which the Government wants it to be done.

CHAIR: A number of small country councils have been categorised as having a high level of social capital, even though they may be limited in other areas. They have talked about strategic alliances where they combine equipment and a regional focus. However, they maintain individual

small councils as operating units in regional and rural areas. Those councils have claimed that that is what local people want. Do you have any perspective on that strategy?

Mr MANT: Yes. There is no doubt that in towns where there are council headquarters, officers of those councils play an important role in the social capital of those towns. You tend to find them on the parents and citizens boards, the local sports clubs, the business clubs, and so on. An important level of professional expertise is available to the community, not just in their role as council officers. The depot, of course, provides employment and there is prestige in having the town hall in the town. So there are significant losses if you close that down and move it to a bigger town. There are several models where you could get some of the efficiencies of scale without losing those important assets.

One model is to have one council but to have an elected town committee in each of those towns and to retain, at least for a considerable period, any of the depots and workers that are working in those towns. In other words, you put up with some inefficiencies to protect those positions in the town. The model is to have a town budget, a specific place budget, the priorities for which are determined by the town committee, and to have a place manager in an outcomes structure whose sole job it is to be concerned about everything to do with that town. So you have identified that town, and presumably other towns and villages as separate places and separate budgets, separately decided by local committees. So a real sense of place is still being maintained, even though it is only one council.

In those circumstances I would probably have a voting arrangement that had an electorate as a whole rather than wards. In an electorate of the whole everyone's vote counts. I can assure you that it is extremely irritating being president of the Paddington Society as we have three councillors out of 15 and all the others hate Paddington. I would much rather think that our votes were important to everyone on the council rather than just three people on the council. So I think there is an argument for having place management in the staff looking after the different places and an elected body and a mayor who are concerned about the welfare of the whole area.

CHAIR: It might be timely to obtain your views on elected mayors, or mayors elected by deputies.

Professor MANT: We put it in as an option in the Act. We should have gone the other way round and had elected mayors, unless the voters decided against them. I think the annual election for mayors is silly. If you are elected by council you ought to have at least two years so that the staff can get used to what you are on about. This constant annual changing that we get in places like Woollahra is a poor way of operating. On balance, I am now in favour of an elected mayor for the full four years.

CHAIR: In terms of the separation of powers, some would see council as not being able to act effectively as a subset of the State Government. Is there an opportunity for council to be a legislated independent structure in terms of governance? Do you have a comment?

Professor MANT: You always have this problem between Federal and State and State and local on issues that are bigger than the particular electorate. I have always advocated what I call marble cake arrangements which allow for different levels of government to come together regularly to deal with issues and to be able to bring the right mix of interests and debate to whatever the issue happens to be, rather than trying to define, "This is your role and this is our role", because it never works like that. For example, the City of Sydney Planning Committee is one of those organisations, which is based on a model we used a lot in South Australia to get much better relationships between State and local government.

In planning the State one has to have a strategic view that is bigger than most councils'. The State should be able to pursue some of those matters, at the same time running a proper public gauntlet with the local communities who have a different point of view. We have to find ways of having more effective debates than we have in the past. I do not see that local government can become a sovereign body. I should point out that we did give local government substantial powers under the Local Government Act. Local councils have virtually no restrictions on what they can do. If they want to run a bus service they can run a bus service. If they want to run a hospital they can run a hospital. If

they want to provide public housing they can provide public housing. They can do anything they have money for. I do not think that most of them have understood that.

CHAIR: You state in your submission that while the 1993 Local Government Act was progressive in many respects it failed to clarify longstanding confusion about the role of local government. Can you explain how this confusion has impacted on the effectiveness of local government?

Professor MANT: The point that they can do anything they have the money for, of course has to be seen in the context of rate pegging, which was one of those classic easy decisions to make and very difficult to get out of. It is a bit like rent control. It is easy to control rents, but it is very hard to stop controlling rents. Rate pegging has been a disaster in my view, particularly for future generations. The present generation, which is a very wealthy generation, is not paying sufficiently for the maintenance of the common property. If the State Government wanted to make councils more efficient and to waste less money, it should have tackled that issue, not just starve them, which is what has happened.

My view of local government is that it has a lot of power to provide for its community and it has a lot of capacity to use its human resources much better. It should be now free to go to its communities and say, "We want to charge \$100 per year more. If you give us \$100 per year more we will do the following things." I think many communities would be very happy with that sort of arrangement.

The Hon. IAN WEST: If you did not have rate pegging would there not be a possibility that elected officials may decide politically it is advantageous to have no increase? Does rate pegging not assist that political question of having a rate increase?

Professor MANT: It does, although it does not actually do this. It provides a cover to those councils who otherwise politically may not increase their rates. They say, "The State Government says we should increase our rates by 2.3 per cent." The State Government is not saying that, of course. It is saying they cannot increase rates by more than that.

The Hon. IAN WEST: Are you suggesting that there should be no rate pegging?

Professor MANT: Yes, basically. I am suggesting there should be no rate pegging but there should be much more publicity given to the financial situation of councils. The fact is that outside of maybe Sydney City Council, South Sydney City Council and North Sydney Council basically all councils are dead broke. Woollahra, the wealthiest community in Australia, should spend over \$100 million on bringing its infrastructure up to standard. It is spending \$8 million.

The Hon. IAN WEST: Do you believe if there were no rate pegging the rate increases would be more than they are now?

Professor MANT: Yes, I do think that, and I think they should be.

The Hon. IAN WEST: I did not ask whether they should be.

Professor MANT: I think they would be. It would also require, hopefully, councils saying, "We are \$100 million behind in our maintenance. This is the program. We intend to increase rates by 5 per cent and we will spend all of that money on maintenance, not on cups of tea and lavish dinners for councillors."

The Hon. IAN WEST: On the issue of partnership between the State Government and local councils, do you believe there should be in that structure some involvement by the State Government in appointing a mayor?

Professor MANT: In the rewriting of the Local Government Act amendments we toyed with the State Government having a role in the appointment of general managers. It is too easy to sack a general manager. We looked at having something like a public service board for councils. The councils might select the general managers but the board would employ them. Then the councils

would have to go to the board if they wanted to sack them. It is too easy for councillors when it is not their money to just say, "I am sick of this person, he has insulted me, get rid of him." I prefer that involvement to provide some stability and certainty and the ability of the general manager to provide frank and fearless advice.

The Hon. IAN WEST: Do you see any role for the Federal Government in the partnership?

Professor MANT: Having helped put together the Western Sydney Regional Organisation of Councils [WSROC] back in the early 1970s and all that Commonwealth funding, yes, I do see that certainly the Commonwealth should be distributing income tax—maybe now the GST makes that a bit different—and should be doing it in a way that provides councils with an obligation to show how they are performing with that money. The income tax distribution in the late 1970s was wasted by many New South Wales councils. They just did not put up their rates. They treated it as being let off the hook of putting up their rates. One has to say compared to the 1970s and 1980s we now have a much better handle on the real financial situation of these bodies. It is a question of making the financial situation much more public and understandable. I think a lot of the accountability, a view of the finances of local government and the state of the infrastructure, can be driven from that much better.

The Hon. KAYEE GRIFFIN: I want to ask a couple of questions about rate pegging and council infrastructure. You said that at the moment younger people do not pay enough in rates.

Professor MANT: I meant young people like myself.

The Hon. KAYEE GRIFFIN: How do you see the issue of infrastructure at the moment: how do we replace it and the cost of replacing it? The situation has changed since AAS27 came in because there are some boxes and lines in relation to council infrastructure. We know that rate pegging is not the panacea for all ills. If council infrastructure has to be replaced and rate pegging does not resolve the problem—and taking into account your comment that people this day and age do not pay enough in rates—do you see an equitable way of raising rates to fund the infrastructure?

Professor MANT: The funny thing we have all forgotten about is borrowing. The beauty about rates is it is a secure income stream. In America it is used to raise specific loans to do specific works, knowing that there is an income stream to pay for it. You could make a huge attack on the need for renewing infrastructure by an increase in rates, definitely. Australia pays very low rates compared to almost any other country. Admittedly, the powers of local government in America are different. If you had my house in America you would pay \$5,000 or \$6,000 in rates per year. I pay less than \$1,000. If you take out the garbage rate, I pay the cost of taking six people to a good slap-up meal at a local restaurant. That is my annual rates.

The Hon. IAN WEST: I prefer your chances of being appointed as mayor rather than elected.

Professor MANT: I am not talking about the politics of it, I am talking about the fact of it. The fact is that we are not paying enough. Which taxpayers are going to pay for renewing Woollahra's infrastructure? Are we going to ask the workers of the Western Suburbs to pay for it or are we going to ask the extremely wealthy people who have done extraordinarily well out of the property boom in terms of increased asset price to pay for it? Clearly it has to be the latter. I know of no other way of doing that than through a property tax because it is the property that is benefiting from the infrastructure. We have not spent enough over the last 20 or 30 years. There is a catch-up job and a continuing maintenance job and they have to be paid for.

The Hon. KAYEE GRIFFIN: From your point of view, the way council raises its rates at the present time—in terms of land valuations and the way it determines the amount in the dollar—is not the most appropriate way to do it. Does it need some sort of review?

Professor MANT: No, I am very much in favour of the unimproved capital value system that we have in New South Wales. I think it is the right way. It is better than the valuation of the property overall. I say that as my house is on 200 square metres of land. That is what it does: if you like, it pushes the maximum use of land, which has significant consequences for the way in which the city operates. I think it is the right way to go. I do not have a problem with the rating system by and

large. There are some issues, but by and large I do not have a problem. I just do not think the rates are enough.

The Hon. RICK COLLESS: This is a very interesting discussion because it gets to the heart of what we are talking about. In relation to rate pegging, as a former mayor and current councillor on a shire council in the country, I also believe that rate pegging should be amended drastically if not abolished altogether. If it was to be abolished altogether should there be any constraints on how much a council can put up rates, or does it become a system of open slather for councils?

Professor MANT: I must say I have not given enough thought about the mechanisms that you might use to stop councils going mad. We saw some examples of that before rate pegging went on and it was the behaviour of one or two councils that led to someone saying, "What a good idea this would be". I am thinking off the top of my head here but maybe there needs to be something like an administrative body the State sets up where local people could appeal against a proposed rate and there could be an inquiry into the finances of the council so that there was some potential for having a silly decision being examined by some independent body.

I am a believer in having to front some independent body and justify your case. So maybe you do not make that for everyone but you make it easy for someone like the Paddington Society to say, "Woollahra has gone off their face. We want their decision reviewed. Do they really need it? Is it fair?" And so on. So as against appealing the rating on your property, I think appealing rates generally would be one way to go. We did write into the Act the requirement to demonstrate through the accounts the basis of your charging and so on. I think that has had some effect on getting responsible behaviour. I think we could just take that sort of exposure and review it further. For shires with their roads situation that is another issue. Many shires are really just essentially local road authorities and I think there is a case to be made for a number of those roads and bridges to be funded by other than the immediate property owners. There is some recognition of that in the road grants and so on but I think that if you were going to put pressure on the ratepayers at Woollahra and the like then you do not necessarily apply the same principles to the farmers in the sparsely populated rural areas which you would apply to Hunters Hill, North Sydney and Woollahra.

The Hon. RICK COLLESS: That brings me onto my next question nicely. When you made the statement about all councils being dead broke do you include the depreciation on infrastructure that councils are required now to put in their financial statements? Do you come to that conclusion?

Professor MANT: Yes, I do, absolutely. They are not necessarily dead broke in cash terms but they are dead broke in terms of how much they should be funding that depreciation, which is another way of saying funding the maintenance of their assets, and they are not funding the maintenance of their assets by anything like that even a reasonable engineer would require. We have always got to be a bit doubtful about the engineer's ambit of claims, as you know, but even if you discount those, nobody is funding the maintenance of their infrastructure sufficiently and therefore, in that view of things, they are broke.

The Hon. RICK COLLESS: I think also one of the problems is that the actual life of the asset in most cases is very much longer than the depreciation schedules which we are required to use in local government.

Professor MANT: That is true.

The Hon. RICK COLLESS: You get a false impression about whether or not the council is actually broke, and that is something we need to be aware of. Your comments about also distributing taxes federally and so on, is it not possible that the States themselves could distribute the GST?

Professor MANT: Yes, it is, or parts of it, because the GST is, in part, a substitute for income tax. We certainly took the view when I was in the Federal Government that part of the income tax should be distributed to councils and that they should be encouraged to provide more than strata title type services and that for those, given that the people they were providing services to were not all property owners, there ought to be a share of income tax that goes to councils. I think that the State certainly should be looking at that but I would hope it was in the context of a proper look at local government finance.

The Hon. RICK COLLESS: In your comments also regarding the infrastructure and those well-heeled councils, if I can use that expression, that you referred to, you were saying that we need to fund their infrastructure locally. You mentioned in one of your answers a minute ago that in relation to roads it is a different issue, because for country councils roads are the biggest infrastructure—they have and everybody uses them, not just the local residents. People from all over the State use roads in rural areas. Before there is any increase in rates to pay for roads what I would like to see is that all the taxes that are currently collected from motorists are hypothecated to road maintenance as well as stamp duties, et cetera, which they are not at the moment, as you know. Have you got any comments along those lines?

Professor MANT: It is an old argument and one that is hard not to have some sympathy for. Again, I would like to see that issue dealt with in the context of a much better look at the way in which we tax, particularly motor vehicles. In his report Parry has raised some of those issues. I support much greater use of demand mechanisms for regulating traffic. Before we make the decision as to what to distribute I think we should also look very closely at the economic efficiencies that come from the way in which we tax vehicles. I would not want to have councils becoming great supporters of vehicle taxing mechanisms which do not also help to influence demand.

The Hon. CHARLIE LYNN: You mentioned before about the management of councils, the guild system. You also mentioned an idea for a board to employ and sack, if necessary, general managers. In one of the other submissions we had the other day I think there was a comment made that we are looking at the management of big enterprises here and is there enough talent to go around with the number of councils we have got, which may be an argument towards reform. But are not a lot of the new managers, the modern managers, overcoming that guild system with the reorganisation of councils in regard to their engineering and planning departments?

Professor MANT: There have certainly been a lot of name changes. As to whether there have been any cultural changes is another issue. I have been involved in several experiments which have fundamentally changed the way in which councils work. At Fairfield, at Camden and at Parramatta instead of the engineers, the planners and the librarians and so on we have got an outcomes division with systems managers and place managers—a very flat organisation structure. We have a services division and although this looks a bit like a purchaser/provider arrangement but that is not the purpose of it. In the services division there are most of the old council organisations but usually they are split into smaller groups so you have the lawn mowing group and the library group and so on, and they are all self-governing businesses in a sense, although there are no contractual arrangements with them. Then we have separated out all the regulatory activities, the planning controls and the environmental controls and all of that, because one cannot be a place manager of Cabramatta, say, deeply involved in the politics, operation and problems of Cabramatta and at the same time be the person who writes the assessment report on some application. Both the person writing the assessment report on the application and the place manager has to be protected from the other person's role.

That structure, which I call an effectiveness, efficiency and transparency structure—effectiveness in terms of pursuing outcomes, efficiency in terms of providing services and transparency in the operation of a regulatory system—together with an independent hearing panel, has now survived six years and it seems to be working as well as it was at the beginning. That is unusual for an organisational change operation. The outcomes staff are incredibly productive and virtually everyone in that part of the organisation loves their job because if you are the Cabramatta place manager and you come to work on Monday morning and leave Saturday night and you are just dealing with whatever the issues are of Cabramatta, that can be a very satisfactory, if arduous job. The same applies to the other places and the open space system and the catchment and so on.

That is an organisation structure that is moving very significantly away from the old guild structure. Guilds are still there but you do not have planners trying to be outcome officers, or trying to be regulating officers basically just producing documents—

The Hon. RICK COLLESS: Bureaucracy.

Professor MANT: Bureaucracy to what end? And a confusion of roles. At Fairfield we had five people drafting development control plans [DCPs], we now have half a person because instead of drafting a DCP, staff get out and solve the problem.

Ms SYLVIA HALE: You said that the fact that a development application could be appealed to the Land and Environment Court indicated that councils were ill-equipped to make decisions and that they were using the wrong processes by which to make decisions. You then suggested that an independent assessment panel might be the way to go. If council ignored the decision of an independent panel, would you see that decision being appealable at all to the Land and Environment Court?

Professor MANT: It would be, because it would be the development consent decision that we normally have. Yes, councils have said, "Look, there is no way we are going to allow this clinic in the shopping centre", even though the panel recommended in favour of it because it fitted all of the controls and so on, and it went on appeal to the Land and Environment Court. The appeal lasted half a day because all the work had been done and the court found in favour of the clinic. You are not really changing anything. All you are doing is putting a process in the middle.

Ms SYLVIA HALE: What I was getting at is that the right to appeal in itself does not indicate that the process by which a decision is made is inherently wrong. I thought that was what you were suggesting.

Professor MANT: No. I am saying that the fact that that type of decision is appealable gives you a clue as to the nature of the decision. You cannot appeal the making of a new local environmental plan [LEP] because that is a legislative act. When you consider an individual application having regard to the LEP that is a judicial act and it is that sort of decision that is appealable, not the former.

Ms SYLVIA HALE: You also suggested that it was wrong for councillors to be lobbied on particular issues, and you used your ICAC experience for that. Where a council is to make a decision, which may establish a precedent or people are concerned because of the wider implications, for example, heritage issues, do you not think it is appropriate for the councillors to be lobbied in that circumstance?

Professor MANT: I certainly think people should lobby councillors about the state of their controls. That is where their attention should be directed. There are lots of councils, which have got poor controls that spend a lot of money on appeals trying to recover the position. If they devoted their time and attention to fixing up their controls, which is a legislative act and a policy act and a proper thing for a representative government, then I think we would all be better off.

Ms SYLVIA HALE: Do you agree that State environmental planning policy [SEPP] 1 was used to undermine those controls?

Professor MANT: I hate SEPP 1 because it is a discretion at large.

The Hon. CHARLIE LYNN: You mentioned property tax as an opportunity for funding if there were no rate pegging. What about land tax? Does the State Government have an opportunity to put back into councils the money it raises from land tax?

Professor MANT: Yes, it does, and it should. I would like to see land tax funding metropolitan and regional facilities, such as metropolitan open space facilities, major infrastructure and so on, that go beyond the council level. My view of land tax is that we should all be charged land tax or no-one should be charged. But that is the sort of talk you engage in when you have a terminal disease. The problem is that it is so selective and unfair.

Ms SYLVIA HALE: You said that councils can do anything that they have the money for. Do you agree that the most significant part of that statement is "that they have the money for"?

Professor MANT: That is right.

Ms SYLVIA HALE: We have received many submissions that indicate that country councils, in particular, are doing quite imaginative things in terms of running hospitals and ambulance services and providing those sorts of amenities. The fundamental problem is the absence of money rather than the absence of creativity on the part of councils.

Professor MANT: That is right, and I hope that I have addressed the absence of money problem.

CHAIR: An issue that has arisen fairly often in this inquiry is cost shifting. I understand that you are part of the process of examining Plan First, and the place-based assessment and flexibility that resulted. Could it be said that that degree of flexibility left Warringah Council open to corruption?

Professor MANT: No. First, there is nothing about a place-based system that says it has to be flexible—it can be as tight or as flexible as you want it to be. That is a misapprehension on somebody's part that has gained currency. I think part of the problem that Warringah Council had—from long history—is that the place-based controls allowed all controls to be found in one document, which was written in reasonably plain English and contained a statement of the desired character of each of the places. Therefore, it was extraordinarily easy for the community to understand what the controls were. They could read the two-paragraph description and then look at what was approved and say, "Hang on, that doesn't tally". I think a lot of that went on. The community was extremely accepting of the Warringah plan but they were very cross about the way in which it was being administered. They could be cross because it was so clear as to what the controls were compared with the 65 different State planning documents—numerous local environmental plans, development control plans and everything else we have.

CHAIR: Professor Mant, thank you for your perspective, particularly on models of amalgamation, and your highlighting of the inefficiencies of council types. That information will be invaluable to the Committee's deliberations.

(The witness withdrew)

JOHN PHILLIP WAGHORN, Executive Manager Organisational Performance, Newcastle City Council, PO Box 489, Newcastle, affirmed and examined:

CHAIR: Welcome, Mr Waghorn. Are you conversant with the terms of reference of this inquiry?

Mr WAGHORN: Yes.

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will consider your request. Before proceeding to questions from Committee members I invite you to make a short opening statement.

Mr WAGHORN: Thank you for the opportunity to appear before the Committee on behalf of Newcastle City Council. I would like to highlight three key areas in our submission. The first is funding arrangements for local government generally—that topic was covered quite extensively in the previous presentation. Local government suffers to some extent from restrictions on its income sources. The Committee had discussed rate capping, the distribution of Federal goods and services tax, national competition payments and so on. There are also legislative restrictions in terms of council's capacity to levy fees on certain types of operations, such as libraries and so on. In conjunction with those restrictions on our income sources there is also a number of expenditure requirements. In our submission we have detailed a number of responses that the council has had to make to changes in legislation in the past seven or eight years. We have documented an impact on council of about \$4.5 million per annum as a result of unfunded mandates over that time. Councils are faced with a difficult situation in that their income capacity is restricted by external forces to a great extent but the requirement to provide services is being expanded by those same forces. That is a difficult situation to operate in.

That brings me to my second point, which is service provision efficiency and how Newcastle City Council has attempted to respond to that. Over the past eight or nine years we have implemented a number of performance improvement initiatives within the council. We have certainly managed to change the culture of our organisation over the years through those initiatives. Today our organisation is much different from the one we had 10 years ago in terms of the attitude of the work force and its ownership of its work and the level of delegation to the work force to make decisions at the most appropriate levels. We have also done a number of exercises across the whole range of council services, looking at our processes and trying to improve them. We have done an extensive range of process benchmarking exercises. We continue to undertake performance benchmarking across the range of our services as best we can to ensure that our levels of performance are at the upper echelons of most councils.

With respect to our assets, we have responded to the requirements of AAS27. In the current year's management plan we intend to fund depreciation to 75 per cent of the documented value. The fact that depreciation rates are probably in excess of the useful lives of the assets was raised previously. In doing that we have also determined service standards for all our assets. We do condition assessments of our assets and we put in place programmed maintenance routines. This has delivered something like a 40 per cent improvement in productivity in terms of maintaining roads and buildings, in particular. For example, instead of responding to complaints about potholes, which is what we did five or 10 years ago, now everything is programmed in the database as being maintained in accordance with the service specifications for the service standards that we have for different assets.

With respect to our financial position, in the past five years we have increased the level of our reserves from \$25 million to \$50 million. We have also reduced our level of debt from \$29 million to \$6 million. We have been consciously taking steps to improve the financial situation of council. After allowing for depreciation, we made a small surplus of about \$1.2 million last year. Since 1993 we have been undertaking community surveys on an annual basis to monitor the level of community satisfaction with the services we provide. Those surveys have shown regular improvements in community satisfaction with the performance of the council in delivering services and improvements in the perceptions of the Newcastle community about Newcastle as a place to live. So you can see that council has done a lot of work to try to respond to the financial constraints placed upon it.

As to the inquiry's terms of reference regarding amalgamations, there is some concern about the impact of amalgamations on service provision, particularly if the amalgamated councils have different financial situations and different existing service levels. That will create difficulties in delivering future services in an equitable manner at levels that the community expects. In terms of any amalgamation, we must look broadly at the long-term sustainability of the local government area. We must consider improved outcomes for the area's community, economy, environment and governance as part of any amalgamation. We must balance the efficiency of the local government entities that are to be set up with the local government democracy available to residents of those areas.

As to the optimal size of councils, a number of studies have been undertaken in this area in recent years. The general perception is that once you start to reach a quarter of a million-plus you start to lose the "local" in local government and it becomes regional government in many respects. We have a population of about 140,000. The population of the Lower Hunter, comprising our neighbours—the councils of Port Stephens, Maitland, Cessnock and Lake Macquarie, which border our area—is nearly half a million, so it is a substantial area. We provide services for our area but we also provide services that are used by the regional community. For example, Newcastle is home to the regional art gallery, the regional museum, major sporting facilities and so on that service the broader region. While we get some recompense for those services through financial assistance grants, it certainly does not compensate for the cost of running those facilities.

Finally, as to the inquiry's terms of reference, we believe any process of amalgamation should be undertaken in accordance with the requirements of section 263 (3) of the Act, and the provisions that it specifies must be considered as part of any amalgamation process. We strongly believe in consultation. If it is broad enough there should be a regional review process or, if it is more narrow—for example, minor boundary changes—there should be significant consultation with the local community.

CHAIR: You painted a positive picture of your council's financial position. Can you outline to the Committee the major reforms, changes or streams of income that have been instrumental in your success?

Mr WAGHORN: I think it is probably as much about increasing our service efficiency and the cost structures within council within the limits of our income sources. Over the last 10 years we have had one increase in rates which was 6 per cent over the limit. From memory, that was in about 1997 or 1998. Last year we also gained approval to raise \$1 million through an environmental levy, which has been very beneficial in enabling us to deal with many of the additional costs we have incurred as a result of many of the unfunded mandates that are described in the submission. Most of those relate to environmental issues. We also saw fit to impose a levy. The levy has an impact of about \$15 per ratepayer on about 75 to 80 per cent of our ratepayers, so it is not a dramatic amount, but the \$1 million earned does offset the costs we have previously incurred out of general rate income.

We look to impose fair fees and charges wherever possible. Having said that, we are in not what I would regard as a high-charging council. We have free admission to our regional museum and art gallery. In the past we have looked at having fees but have decided not to go down that path. So I would not consider that we are a high-charging council with regard to general fees and charges. Over the last 12 or 13 months we have benefited from the decision to transfer the parking police responsibilities to local government.

We are one of the few councils that have substantial metered parking and so on, and that has been a substantial financial benefit to council. Having said that, we have also had extremely high costs, and one of the community's greatest concerns is the availability of parking within our central business district. It may well be that we need to provide additional parking through parking stations, and that is something we are currently looking at for the future. Generally, the results have been achieved through prudent financial management and prudent operational management in terms of being as efficient as possible in our service delivery.

CHAIR: One of the terms of reference for this inquiry is the optimum organisational structure for local government, particularly for large metropolitan councils. You referred to \$0.25

million going from council to a provincial type of set-up. Do you regard a cap on population size for local government areas as appropriate?

Mr WAGHORN: I do not think there is a cap per se. I think it really depends on the broad issues of the community of interest that the council looks after in being able to effectively service the community that is the community of interest, whilst also maintaining a reasonable amount of local democracy that the community would generally demand. I think in our paper we have indicated a number of minor boundary changes that might slightly improve some of that service delivery efficiency. I do not think I need to go into those in detail, but they would need to be investigated in consultation with the other councils associated with that.

As an organisation it is probably one of the 15 largest councils in the State. Most of the large councils in New South Wales operate fairly efficiently and effectively and have been through some considerable structural reform over the last 10 or 15 years and, in my opinion, are very efficient organisations. I guess the size does not matter, if you can provide efficient services to the area you have.

CHAIR: Would you consider Newcastle to be a discrete social unit? Despite its massive size, it appears that there is strong cohesion.

Mr WAGHORN: There is strong cohesion in Newcastle. It is probably only about 214 square kilometres in area, and probably a lot of that is the Hexham Swamp, so it is not a massive area. Lake Macquarie, which borders Newcastle to the south, has a far larger area and a larger population, about 180,000 people. It is quite contiguous; the boundary runs down and across streets. It is not something that anyone would be able to easily discern. But there is a fairly strong community of interest in the lower Hunter generally in any event.

The Hon. CHARLIE LYNN: You referred to parking needs. Is it the fact that councillors who may have a business interest in a central business district would be not allowed to vote on the establishment of a car park because of a conflict of interest within council?

Mr WAGHORN: It would be up to each councillor to make the decision whether they believed they had a conflict of interest, as I understand it. Having said that, if a councillor were in business and there was something happening in the city that was not specifically affecting their business, I would regard that as not requiring a declaration of a conflict of interest. In relation to a parking station that is being established in a part of the city that desperately needed parking, if a councillor had a business next door to where the parking station was to be established you would probably say there was a conflict of interest. It is a decision that any councillor would have to make themselves.

The Hon. RICK COLLESS: As your title suggests, you are heavily involved with the monitoring and performance of your organisation.

Mr WAGHORN: That is correct.

The Hon. RICK COLLESS: How do you see the generic structure of local government should be changed in order to improve the performance of local government generally?

Mr WAGHORN: When you save the generic structure—

The Hon. RICK COLLESS: The model, if you like, rather than individual councils. There will need to be flexibility across councils. Do we need to look at a generic structure?

Mr WAGHORN: I think many of the elements of the changes to the Local Government Act in 1993, where they have been well adopted, have improved the functioning of local government. Certainly some of the reforms in terms of our administrative structure at Newcastle took place back in the mid-1980s. We have had some subtle changes to that; some of the guild arrangements in Newcastle ceased in the mid-1980s.

The separation of powers in the roles of the council and the administration under the Act, and the fact that the general manager has responsibility for staffing and ensuring that council decisions are effectively delivered, is quite a strong part of the Act. The operations of the council as a decision-making body on policy-related issues and so on is a positive thing. I think there needs to be strong co-operation between the senior management of the organisation and the council in terms of development of policy and understanding, and making sure that council is well briefed on those issues so that it can make effective decisions. I suspect that in most councils that generally takes place quite well, and, unfortunately, you will find some councils in which it does not. In general, I think the operations of councils under the current Act are quite effective.

The Hon. RICK COLLESS: You spoke of the upper limit of about 250,000 before you start to lose the "local" out of local government. In sparsely populated areas, it is geographical size and distance that removes the "local", rather than the maximum population. Do you see the need to have a maximum geographic size as well as population to maintain that "local" in local government?

Mr WAGHORN: It is a difficult one. It probably depends on the nature of that geographical size and the population base within it. I think nearly half the State is in one council area already, so if you are talking about area base it is probably not that important. I think the real issues are the communities of interest that lie within the council area that need to be considered in terms of any structure. To some extent, a horse for courses decision needs to be made, and it needs to take into account those economic, environmental and other factors to ensure that that community of interest is looked after effectively by the council of whatever size.

Ms SYLVIA HALE: At the State Government level we have seen the institution of a number of ministries, such as the Minister for the Hunter, the Minister for the Illawarra, and the Minister for Western Sydney. There has been some suggestion that, mirroring this, a number of super councils should be proposed—for example, a council for the Hunter, as it were. What would be your response to such a proposal?

Mr WAGHORN: I do not believe it would be best to serve the interests of the Hunter in terms of democratic governance. I believe there is a strong need to have consultation between councils in a larger area or region, and also the State Government bodies responsible for the delivery of services in those regions. I think the final part of our submission talked about the need for better consultation between State and local government on the bigger issues. As I understand it, some of the changes that are taking place are about putting in place stronger consultative arrangements between the State and local government in a more regional sphere. In terms of delivering those sorts of outcomes to the community, I think that is probably the best arrangement to enable the best outcomes to be delivered. I do not think you necessarily need to have a restructure of councils to achieve it.

Ms SYLVIA HALE: How effectively do you think the regional organisation of councils are in delivering efficiencies and efficient outcomes to their communities?

Mr WAGHORN: Within the Hunter we have a pretty effective organisation of Hunter councils at the moment. If you had asked that question 10 or 12 years ago, it probably would not have been the same answer. I think there has been a lot better uptake on behalf of the councils in the region to work together. The Hunter councils*, as an entity, is currently establishing a records repository as a business venture to serve the councils in the Hunter and any other organisation that wants to use that records repository. We have a number of joint project teams and working parties established. We have a joint purchasing arrangement within the Hunter, to achieve efficiencies for the councils. There is currently a regional waste project running, comprising Maitland, Cessnock, Newcastle and Lake Macquarie, which is looking at a regional waste solution. In that context, there are a number of effective partnerships taking place that can improve the efficiency of local government through using the ROCs.

Ms SYLVIA HALE: Observations have been made to the inquiry that the ROCs have no statutory authority, as it were, and that some of their decision-making processes are inefficient because they have no powers delegated to them. Would you care to comment on that?

Mr WAGHORN: As a non-participant at the ROCs, it is a little difficult to comment specifically on that, other than to say that from what I can see, if there is a spirit of co-operation

between the councils and the general managers to look at ways of improving service efficiency in the region, it can work.

Ms SYLVIA HALE: How do you think the Department of Local Government is currently performing in terms of the information, support, strategic advice, assistance with co-ordination, and any other areas of expert support to councils? Do you believe the department is performing adequately in that regard?

Mr WAGHORN: I think the Department of Local Government has suffered significantly in recent years. On my understanding, staffing has reduced from something like 180 to about 60. I think the relocation to Nowra has meant that a number of very experienced officers have chosen not to move, so there is not a lot of depth of experience within the department at the moment to support local government. Many Councils, particularly the larger councils and the ones that are being well run, do not need too much assistance. I think where local government suffers is that the smaller councils that need some assistance probably do not have access to the depth of knowledge that was there in the past.

CHAIR: Do you have any comments to make about the current process by which amalgamation or boundary change proposals can be initiated or the criteria on which such proposals should be assessed?

Mr WAGHORN: One of the points we tried to make in the submission is that if there are to be regional reviews we would like to see a proposal that is part of the regional review. At the moment it is carte blanche; there is no real proposal in front of the regional review. We could be going to a hearing without understanding the premise. I understand there are two or three regional reviews under way and each one comprises 10 to 12 councils. I would be concerned if I were representing our council. I would like some idea of the outcome so that I could put together a case in response. At the moment the councils going through that process do not know what the outcome will be; it might be a super council to cover the area or minor boundary changes. It is a difficult situation. We need something on which the reviews are based to allow effective input into that process. Otherwise there is a lot of scepticism about what it might be and an inability to effectively respond.

CHAIR: How does that compare to the community consultation undertaken by the Boundaries Commission?

Mr WAGHORN: I have not been involved, so it is difficult to respond. The only recent observation I have made was in relation to the inner city inquiry in the past couple of years. I understand there was extensive consultation as part of that process. I do not know how it works in a general sense.

CHAIR: You made mention of the Department of Local Government being adversely affected by loss of corporate expertise with the move to Nowra. As a large regional council, geographically was there any disadvantage for Newcastle as a result of the move away?

Mr WAGHORN: Not particularly. I would not say we spent a lot of time consulting or visiting the department. It probably has not had much impact. I understand some officers have been retained in the city and they are used on a regular basis. Most of the department is in Nowra but some meetings are held in Sydney. I do not think it has had a great impact on our organisation. The other forms of communication are still there; it does not matter where with them.

CHAIR: At the conclusion of this inquiry the committee will produce a report that will most likely include recommendations for actions to be taken by the Government. What would you most like to see as a recommendation or recommendations in the report?

Mr WAGHORN: As I said, there are probably two main issues. First, any process must be open and people should have the opportunity to understand and comment on what is put before them. A proper consultation process must also be put in place. The second issue, while it is in the terms of reference, is not particularly related to amalgamations. I refer to the question of funding of local government. I do not see amalgamations having a major impact on that. The real issues are local

government's capacity to carry out the range of services its community wants while being constrained by the income it can raise to do that.

The Hon. RICK COLLESS: Do you see an opportunity for some of the smaller councils to operate under some form of amalgamated structure from a corporate services perspective while maintaining the current structure or some form of decentralised structure for the service delivery component of your work?

Mr WAGHORN: There is some potential, but it may take a little time to put it in place. As a simple example, we supply the library service for Gloucester, Dungog and Port Stephens. There is nothing to say that that type of arrangement cannot be put in place. We have joint purchasing arrangements with a number of councils in the Hunter. A number of councils are participating in developing a new IT base around the State.

The Hon. RICK COLLESS: How formalised are they? Are they legally binding or casual arrangements?

Mr WAGHORN: I do not know for sure, but I think there are formal arrangements in place. Certainly, ROCs are formalised; I am not sure about some of the others. I assume contracts are in place to ensure all partners play their role.

Ms SYLVIA HALE: You have spoken about the need for extensive community consultation if there were any changes, boundary alterations or mergers. If such a change were to affect more than 10 or 15 per cent of council areas or residents, do you think it should be subjected to any final determination by the community as opposed to, say, the Minister?

Mr WAGHORN: I do not know whether the final determination should be made by the community, but it needs input into the final decision and it should be able to comment on the proposals being considered.

Ms SYLVIA HALE: Would a referendum be appropriate given that it would not be binding on the Minister?

Mr WAGHORN: That is hard. Referenda tend to be negative. If the outcomes being sought are so important, there should be consultation. I do not know whether a referendum is necessarily the best way to achieve those outcomes.

CHAIR: Thank you very much. Your statements on cultural change in council are of great interest to the committee. We will be able to use much of the evidence you have presented. It is most appreciated. The Hunter and Newcastle are large but very cohesive areas. It has given us another dimension in terms of community of interest, which is of interest to the committee, for assessments of amalgamations and who services what and whom. I thank you for your contribution.

Mr WAGHORN: Thank you very much for the opportunity.

(The witness withdrew)

ROSLYN MARY IRWIN, Lecturer, School of Social Sciences, Southern Cross University, 160 Orion Street, Lismore, affirmed and examined:

CHAIR: In what capacity are you appearing before the committee?

Ms IRWIN: I am appearing as a lecturer at Southern Cross University, and I teach local government as one of the politics units and a politics major.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Ms IRWIN: I am.

CHAIR: If you consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should heard or seen only by the committee, the committee will consider your request.

Ms IRWIN: Fine.

CHAIR: Do you wish to make a short statement?

Ms IRWIN: It will be very short, because I have not brought anything other than my submission. My real concern is the democratic processes of local government and, in particular of elected representatives. Much of what is happening in local government is being driven by the staff of councils rather than by the elected representatives. I think they have got lost somewhere in the process. I see a need for extensive reform in local government. The approach being taken to amalgamations is preceding what should be occurring in the way of reform. That relates to functional and jurisdictional reform that would see issues relating to funding of local government being addressed as well, which in turn would see many councils that might be considered to be financially unviable now able to be viable. It is the cart going ahead of the horse, and it must be turned around. At the end of the day, if amalgamations continue to be driven largely by concerns about financial capacity, we will find little improvement with the amalgamated councils and the issues of real reform in local government will still need to be addressed. That is basically where I am coming from.

CHAIR: You describe in your submission the narrow focus on structural issues such as the amalgamations and boundary changes as an unwarranted distraction from the big picture issues. Can you elaborate on that view relating to representation, community and cohesion of councils?

Ms IRWIN: The major areas for me are things like the funding of local government, which comes back to a review of relationships not only with the State Government but also with the Federal Government. It goes to the heart of subsidiarity. A need has been recognised for many years at the Federal, State and local levels for some review of what functions should be being carried out by which level of government and how to fund them appropriately. We need that review in Australia. I thought there was some chance of getting that from the cost-shifting inquiry, but it has been party politicised to the extent that it will not deliver some of reviews from the Federal to the State level that would have been interesting. The funding issues are an integral part of all of that. When we are dealing in New South Wales, in particular, with things like rate pegging and the unfunded mandates continuously being passed down to local government, it is no wonder that most local governments cannot keep their heads above the water, especially smaller councils. Those fundamental issues must be addressed. There are concerns about governance itself and the quality of elected representatives at the local government level. That could also be addressed. It is not addressed by codes of conduct and any of the processes in place through the Department of Local Government, the Independent Commission Against Corruption or the Ombudsman in an attempt to encourage the best in local government representatives.

CHAIR: You refer to local representation being addressed and codes of conduct. Are there any other strategies that might effectively raise the quality of local representation?

Ms IRWIN: I think it would be a good thing to be considering. When you look at the number of councillors you have in any council you will see that it varies enormously. Whilst I would

say that it has come at some difficulty, as a councillor I always felt it was kind of a community service to be on a council. At the end of the day one of the issues for me is how you get councillors who are more representative of their communities. They are not at the moment. Basically, they are old. Most councillors are over the age of 45 and many of them are over 60. Councillors are mostly men and they are mostly white Anglo-Saxon Protestants.

From my perspective one of the things that is really missing in local government is having young voices. I suggest that we should have fewer local government representatives on a council but that they should be paid full-time. That will actually encourage young people who simply cannot be there at the moment because it gets in the way of their lives or their jobs. You would get a different type of council. I think that would be a good place from which to start. You would also have people who would be able to be involved in policy development in local government. At the moment most of that is done by the staff. At the end of the day it is driven totally by the staff. You can sit there and agree to it, or tinker with it, but it is difficult, if you are doing it on a part-time basis, to have the time and the energy to sit down and think about what needs to happen.

CHAIR: Some people argue that amalgamation should occur only if agreed to by a majority of residents in affected council areas. We had as an example in your region and in mine Richmond River and Casino. A certain section of the population believes that it has been inappropriately treated.

Ms IRWIN: Yes.

CHAIR: What is your view on this issue? You might wish to refer to the advantages of deliberative polls, as discussed in your submission.

Ms IRWIN: That is my view. If amalgamations occur, it should be because the majority of people in both areas want them. As you said, that certainly is not the case in the Richmond River shire. People still feel very disempowered as a result of that process and they are very angry in many ways. I heard what a gentleman said earlier about referenda. When I went into local government I thought that referenda were a good idea. I moved away from that position because they can be and are so politicised. It is difficult within that process to inform people of the pros and cons. When people are fighting to prevent it from happening, people are always likely to say no. What I like is the idea of a deliberative poll—either a deliberative poll or something like the citizens convention on the republic.

You draw together a cross-section or representative sample of all the voters in the area. You could make it as large as you wanted to—you could have 200 people. It would take in all the demographics of the people in that area. You could have the evidence presented to them by a number of experts and you could have people putting arguments for and against. At the end of that process, if you asked them what they wanted to do and they were prepared to live with that, I think that would be a reasonable way to go. What happens in that process is that people change their minds. If people are informed they are much more likely to make an informed decision. To me, that is a much better outcome than simply saying yes or no.

CHAIR: Could you inform the Committee of some ways in which the local government electoral system could be made more democratic?

Ms IRWIN: That is probably too hard to do. Whilst I understand the changes that have been made recently in electoral reform, it has made it much more difficult for individuals and small parties to be able to contest an election, which is unfortunate. I understand why there was a need to do that for the upper House of the State Parliament, given the tablecloth that you had at the previous election. But to actually transpose that onto local government I think was most unfortunate, as that has tended to reinforce a view that local government is about party politics. I strongly believe that it is not. I know it is in the metropolitan area of Sydney and in other parts of New South Wales, such as Newcastle and Wollongong and perhaps a couple of the larger country councils. Elsewhere in Australia, outside Melbourne and Brisbane, party politics are irrelevant, as they should be.

Most of the issues that you deal with at a local government level have nothing to do with party political platforms; they are about making commonsense decisions about how you deal with specific local issues. To me, to be pushing local government towards a more party political perspective is unfortunate and it flies in the face of what I think people in local communities actually

want. I am speaking very much about the country; I cannot speak with any authority of metropolitan areas because I have never been involved there. It is interesting when you look around the world that there are places where it is prescribed for you to be a member of a political party if you want to be a candidate for local government. That is the case in America. I think that is a great idea, but then I am a fiercely independent non-party person.

The Hon. KAYEE GRIFFIN: I cannot remember your precise words, but you referred earlier to obtaining better local government representatives. You referred also to the ageing population of elected members. How can we obtain a better group of local government representatives? What would you do to make them more appropriate?

Ms IRWIN: One thing would be to have fewer councillors and to pay them a working wage, unlike State parliaments. A lot of people would be happy to work in their local government areas if they earned a decent income. That, in itself, would bring diversity. A lot of women and younger people would be happier to go into local government if they were reasonably reimbursed for their time. This is a really difficult issue. I know that local government associations provide quite a lot of training, but that is not something that is accessible to everybody. Generally, those people who attend training sessions are always the ones—and this is like preaching to the converted—that are obtaining more knowledge. I advocate things such as having codes of conduct that have some teeth. There are no teeth in them at the moment. There are if you have a majority in a council, but there are not if you do not have a majority. In most small councils you do not have those kinds of factions. It is up to council to determine what happens to you. If you have a majority group it does not work.

I do not know; I think you need to have an independent tribunal. I fully support what the associations are trying to do in that regard. At the moment there is poor behaviour. Some of that behaviour relates to a colleague of mine in one of the councils who died recently. She had been directly elected popularly for two terms and she was then treated appallingly by the man who took over from her. Before she died she went through nearly four years of hell and nothing was done about it. The recourse that she had was through the Department of Local Government, which did nothing. If a department is not able to determine that behaviour is inappropriate and it does nothing about it immediately and urgently, that is a great failing. I think you have to educate people about what is acceptable.

You have to have something that looks at breaches of behaviour and deals with it quickly. The other systems simply do not work. They are too time-consuming, they do not have enough resources and the priorities are finite. If it is a small issue, it might mean nothing in the bigger picture but it will mean an awful lot in a local community and it will not be dealt with.

The Hon. KAYEE GRIFFIN: You referred earlier to educational courses. From my experience of local government, once people are elected they do not see the need for education or anything else. Is it possible to make councillors more responsible once they are elected by making them undertake many different sorts of training so that they have a better understanding of the code of meeting practice, whatever that might be? They could also be made aware of other issues, for example, things like ICAC and so on. Is it possible to do that?

Ms IRWIN: I suspect that as long as local government is something that you do in your spare time it is difficult to understand how you could really do that as people have too many other things to do. I do not know. I do not have any positive thoughts on that issue.

Ms HALE: One of the recommendations that came from the Warringah council inquiry was that certain categories of people—real estate agents were nominated—should be barred from participating in or being elected to council. What is your view about that proposition?

Ms IRWIN: I think it is highly anti-democratic and I would not support it at all. I think the issue is really to try to create an environment in which people, apart from real estate agents, are interested in competing. There are many people who are. The issue is often around the cost of running for local government and what you can get back if you run. For a lot of people the most you can get back on tax is \$1,000. If you are elected you and the fellow candidates in your group will get back the deposit. That is why I raised the issue about voting and postal voting. A lot of people in our area still stand as Independents.

These days they do not really have a chance. If they are not standing above the line they will not be elected. It is most unusual for them to be elected. The people who are standing as Independents generally do not have much money to get out their message. Some people are very good at manipulating the media. I do not support the banning of how-to-vote cards at polling booths. In postal voting each person who is voting gets a list of all the candidates, plus a statement about them, why they are standing and what is their background. So people can make an informed decision instead of being overwhelmed by those who have the money to spend.

Ms HALE: You are suggesting in relation to postal voting that people should receive the information and return their vote via the post rather than turning up on the day to vote?

Ms IRWIN: As happens in Western Australia and in Tasmania. In both Western Australia and Tasmania voting is optional for local government. I think that is wrong; it should be compulsory. From my perspective it is a responsibility for people to vote. I know that there have been some hesitations about the outcomes of postal voting in Tasmania. I also know that a paper has been written as I was reading it the other day. It seems to me that the problems arose mostly from the fact that voting was optional rather than compulsory. I think the idea of postal voting makes it fairer for everybody because at least people who have no money can get out their names and information about themselves.

Ms SYLVIA HALE: It is my understanding in areas such as North Sydney where they have a history of active precinct committees there is a tendency for people involved in the precinct committees to subsequently be elected to council because they have become well-known. Do you believe organisations such as precinct committees should be established as a means of facilitating public input into council?

Ms IRWIN: I think they have excellent impact. On the council before last some of us got through a motion to establish precinct committees and they actually started. Then some of the councillors ran cold on the idea of other people being able to have some input into council decisions and they pulled them apart. To me it makes a lot of sense. If you look at the English system, precinct committees are a little like the parish councils. A precinct committee can be allocated a bunch of things to do and be the major conduit. We have one surviving precinct committee in Lismore, which is in a village called The Channon. They still get together and tell us what their priorities are. The advantage of that from a councillor's perspective is when they come and say that this is what they want for The Channon you know that is what they want. It is very easy to support something that the community wants.

Ms SYLVIA HALE: If precinct committees were funded by council, presumably in terms of administrative work, do you think that, rather than a deliberative poll, using the precinct committees alone would be sufficient?

Ms IRWIN: Yes and no. When you look at precinct committees there is also the danger that they can be as unrepresentative as councils are. We were looking at a very structured process of getting people on the precinct committee who represented each street and people voting for each other. If you can take care of that, yes, I think that is a much better process.

The Hon. RICK COLLESS: In your submission you say that structural reform should be considered within the much broader context of reform rather than in isolation. In the next paragraph you say that there is no optimum organisational structure. You say on the one hand there is a need for structural reform but you do not recognise what that structure should be. How do you think the whole process should be progressed if we are going to get the right answer at the end of the day?

Ms IRWIN: I do not think there is necessarily a right answer. The issue for me is that structural reform is something that should be left to communities but should come at the end of all of the other issues that are creating financial difficulties for councils, which is what is driving the structural reform. If one wanted to be cynical about it one could say there has been a deliberate push over the past 20 years or 12 years, particularly in New South Wales, to try to force councils into a position where they absolutely have to amalgamate. We have had lots of amalgamations in New South

Wales. We had an amalgamation in Lismore in 1974, I think. It was a long time ago and people still come and say, "We were much better off under Gundurimba shire. We got much better attention."

It should be voluntary but should take place after all the other changes have been put in place to allow councils to work effectively. We have not even touched on the other issues, which are about needing to have a partnership between State and local government rather than State Government telling local government what to do. We should be a partner in the process. We should be consulted on policy decisions that impact on us, otherwise we are simply there to have things passed down by State Government. That does not create a good relationship.

The Hon. RICK COLLESS: Like you I have also been in local government for 12 years. It has long been my belief that there is a need for reform. There is a big difference between reform and amalgamation. That is where I was going with that question: What are the elements of reform? I do not believe it is amalgamation, but I believe there is a need for reform. Do you have any comments on that?

Ms IRWIN: I have talked about them as much as possible. There is the issue about the financial capacity of council. There is the issue about unfunded mandates. There is the issue about reviewing what local government should be doing. Maybe it can be doing a whole lot of things that the State Government cannot do particularly well. For example, if we wanted to look at health, I see no reason why we could not have a situation where county councils might run an area health service. I know there are standards.

The Hon. RICK COLLESS: A bit like your water system.

Ms IRWIN: Yes. It works quite efficiently. Some would say sometimes not as well as it should, but it does. All of those issues: Who should be doing what? How do you fund it to make sure that it is able to deliver services and to carry out its responsibilities properly? How do you ensure that you get the best from the local government representatives? How do you support them? Is it in terms of changing the way that they can be paid? That is a big issue. You would know yourself that you do not get paid anywhere near the amount for the time you put in. Most of us are not in local government for that reason, but at the end of the day that stops a lot of good people from going into it because they know it is simply unaffordable and is a huge drain on their time. Those kinds of issues are important. The whole issue around ethics and integrity still need to be addressed. How you do that I do not know. When you ask what is the right size, we look at other countries and see that there are local governments as small as 850 to 1,000 in Sweden that function effectively. They have a guaranteed source of income from the national government.

The Hon. CHARLIE LYNN: Earlier you referred to the improved quality of representation on local government and said that fewer councillors on more pay may be a solution. Do you think that would lead to the party politicisation of council? Parties would say that they can now get bright young people elected if they put party resources behind them, which individuals would not have. They can use that as a career stepping-stone to State and Federal Government. Do you think that would lead more to party politicisation of local government?

Ms IRWIN: I think what has led to that being the most likely outcome of the next elections are the changes to the electoral laws. For example, we have a number of political parties standing, and I would imagine that is happening across the board. Once the Government says you have to have a political party name to be able to stand above the line, the Government has simply opened the door for party politicisation of local government. Would it make it worse? I do not know, it might. I do not think it would make it any harder than it necessarily would be now. If there is a reasonable income, people would be prepared, I am sure independents would be prepared, to fight for it. There are still a few amongst the community in rural New South Wales who believe that local government should not be about party politics and it works against people to be standing on party tickets.

The Hon. CHARLIE LYNN: Going back to the issue of postal voting, do you think that creates an opportunity for people to make arrangements to collect postal votes on their behalf? What sort of mechanism would you put in place to make sure that the person who received the form was the person who signed it and sent it back?

Ms IRWIN: That is a very interesting question. I had not thought that far ahead. Clearly a postal vote has to come back through the post. You are saying that parties would be able to do that, that they would have the time and energy and the sneakiness.

The Hon. CHARLIE LYNN: I do not think it is beyond them.

Ms IRWIN: Maybe you have to deal with metropolitan Sydney and N-S-W differently. It would take a long time before that got through in the country because people in the country are basically honest.

The Hon. IAN WEST: When you talked about State Government partnerships, two issues came to mind: firstly, how does that partnership work if you do not have a real method of allocating the responsibility so that there is no appropriate cost shifting; and, secondly, how do you bring the third key into that partnership and ensure there is appropriate ability to allocate the percentage of fiscal responsibility to the person who controls the purse strings?

Ms IRWIN: The notion of partnerships is still fairly new. I would see it as being something that does not actually work at State level. I would not see partnerships as being something you would negotiate between the Local Government and Shires Association and the State Government. I would see it as being something that would be negotiated at a lower level, if you like, directly with communities where there could be an agreement between a particular community and the State Government as to what was needed and the priorities in that area and then agreement about funding being provided. I do not know too much about it. If you look at what is happening in Tasmania it is happening quite well and I understand the partnership concept is something they certainly want to take forward.

The Hon. IAN WEST: I have difficulty coming to grips with visualising partnerships where you are unable to appropriately allocate responsibilities. I am trying to visualise how you avoid the ability to merely have all care and no responsibility and to cost shift?

Ms IRWIN: At which level—the State level?

The Hon. IAN WEST: At whatever level. If you are the person responsible or in control of the purse strings and another person not responsible for the purse strings is responsible for service delivery, how do you ensure that the partnership is on equal footing?

Ms IRWIN: You would have things like a very clear allocation of who is responsible for what, where the costs are incurred and where the money comes from. You would also have performance agreements. You would have a set of outcomes or standards that need to be adhered to. That happens in many countries. I do not see it is something that could not happen here.

The Hon. IAN WEST: The Swedish example you pose has appropriate budget percentage allocations?

Ms IRWIN: It does. There are a lot of excellent things that could work, but whether or not you know they work takes a lot of thought. There is a kind of three-level system in Sweden, which is much more developed than here, which runs things like health and education. It is a very different situation to ours. The English model, with only the two tiers of government, is very different, but it also has a whole lot of arrangements between the national government and local government and it works well. I cannot see why logically it should not work well when you just replace the concept of national with State Government and local government. I am not saying it is easy but I think it is where we need to go. Otherwise the kind of relationships that are engendered between State and local government are not healthy.

The Hon. HENRY TSANG: Some years ago, not that long ago, there was amalgamation in Victoria. Can we learn anything from that?

Ms IRWIN: How not to do it?

The Hon. HENRY TSANG: Did anything good come out of those amalgamations?

Ms IRWIN: It depends on which literature you read. I would say the evidence is that rates are lower in Victoria, but the range of services that local government now delivers is narrower. Then look at New Zealand. People often say, "They have done a great job with amalgamations over there." The one issue emerging very quickly is that it always means reduced democracy, and that means a diminished capacity in people at a local level to have any influence on things that are happening in their area. It depends on what you think is more important. To some people, having an efficient local government which delivers services at a very reduced cost or the most efficient cost is the most important issue. For many people, particularly outside Sydney, that is not the case. For most of those people, their local councils are important to them in the sense that they are building their communities and sustaining a sense of community. Those people are very protective of their right to have a say.

The Hon. IAN WEST: But you are not suggesting you can have one without the other?

Ms IRWIN: Why? One what?

The Hon. IAN WEST: The two issues go hand-in-hand, cost effectiveness and community input. They cannot live alone.

Ms IRWIN: Cost effectiveness is very different from cost efficiency. It is a matter of opinion. If you look at what people expect of their governments and why there is so little credibility in governments at the national and international level, it relates to the fact that people believe governments are there to provide services that are important to them—not necessarily services that produce a profit, and not necessarily provide services at the lowest cost. I instance the decision being made about railways at the moment. Nobody thinks that the railways will pay for themselves, but people believe they should have those railways.

You say efficiency and democratic processes should go hand-in-hand. I say cost effectiveness does go hand-in-hand with democratic processes. And cost effectiveness can mean some things have to be subsidised. For example, it is very difficult to have financially viable airlines at the moment. Local government has been pushed to the point where over the past years it has been using its airports as a milking cow to try to get it to pay for itself. I do not believe they can do that any longer. We have to subsidise our communities.

The Hon. IAN WEST: I think we all agree with that. But it still has to be cost effective.

Ms IRWIN: Cost effective, not just cost efficient. There is a difference between the triple bottom line and the bottom line—which is what a lot of people who talk about amalgamations in Victoria are touting.

CHAIR: Thank you, Councillor Irwin, for your contribution to the Committee's inquiry. Your community perspectives and the ideas you have put forward will be of great use to the Committee. I am tempted to ask a question, as you have been in the position, about popularly elected mayors. What is your position and what is your experience?

Ms IRWIN: It is a difficult issue. When we decided to have a referendum at the 1995 election on whether people wanted to directly elect their mayors, I supported the proposition, and of course so does the community. If you put that out as a referendum to the community, they will all want to elect their mayor. There are advantages and disadvantages. I suspect one disadvantage is that it is possible for a group of people to manipulate preferences in a way that will ensure they get the mayor that suits them. That may be a democratic process, and you have that person as mayor for four years. At the end of the day, I would still say that you have the potential for much better mayors when you have a direct election of the mayors. The reason I say that is because you do not have to go back every year to get the support of the people around you, you know you are there for a four-year term, and you can actually put some long-term, visionary measures into place and make things happen. So, from my perspective, whilst there is no perfect system, I like the idea that the community be able to elect the person who will be the ceremonial head of their city. And, if they make a poor decision, they might make a wiser one next time.

(The witness withdrew)

(The hearing concluded at 4.25 p.m.)

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