

**REPORT OF PROCEEDINGS BEFORE**

**GENERAL PURPOSE STANDING COMMITTEE NO.5**

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

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**At Sydney on Friday 14 November 2003**

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**The Committee met at 9.30 a.m.**

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**PRESENT**

Mr I. Cohen (Chair)

The Hon. R. H. Colless

The Hon. Kayee Griffin

Ms S. Hale

The Hon. C. J. S. Lynn

The Hon. H. S. Tsang

The Hon. I. W. West

**GARRY PAYNE**, Director General, Department of Local Government, on former oath:

**CHAIR:** Would you like to make a short statement before we commence questions?

**Mr PAYNE:** No, thank you.

**CHAIR:** We are at the end of what we have experienced in terms of having gone through the information. Looking at the issues between Albury and Hume shire, much of the discussion of the Committee and the evidence has been that smaller councils are not economic and in debt. I understood the Albury was on the Government's watch list in terms of being in financial difficulty. It is a larger council being seen to be somewhat predatory on the Hume shire. Could you assess that situation in terms of Albury, being the bigger shire and its financial problems, and Hume shire, which has a high level of social capital and a strong, supportive community? We received evidence that they were getting along well. Can you elucidate?

**Mr PAYNE:** I cannot comment on whether Albury was on our financial watch list because I am not sure and I would have to check that. Councils are on that list not necessarily because they are cash-strapped, it could be some other issue raised by their auditor or our assessment of their accounts. It is not necessarily they are in financial difficulties. There may be a financial issue that needs to be resolved. In terms of the financial position of the smaller councils versus the larger councils, we tend to look at the issues globally and not necessarily in terms of the financial position at a point in time, but we like to project forward to look at the condition of the infrastructure and the capacity to meet those needs now and in the future. We tend to look over a period of time rather than a snapshot as at today. In general the smaller councils have less of a capacity to meet their needs. There are a number of ways you can look at it, you can start to reduce services to maintain the financial position and that will work for a reasonable period of time until there are no services to reduce and there are a number of councils in that position.

**CHAIR:** What do you mean by that?

**Mr PAYNE:** To save expenditure you can cut out a service or a facility - you do not spend on it and that may be a legitimate thing to do. All I am saying is that the general tactic and the natural tactic is to start to reduce services, cut things out or not do things to save expenditure. I am aware we put requirements on councils in terms of environmental plans, state of environment reports that cost to produce and I think they are essential. The quality of some of those reports varies and I think that is because of the capacity of the council to put resources into it. A larger economic base of a council or any organisation gives you a better capacity to meet the needs of the community now and in the future. One of the comments made last time I was before the Committee was that the community is more demanding and they are requiring a more sophisticated response to issues and that costs. From where I sit at the department looking at 170 councils, in general the smaller ones financially do not have the capacity to meet those needs in the short to medium and perhaps even long term. It is not a snapshot of the financial position; we do not measure the cash in the bank, which really does not mean a lot these days. We look at the infrastructure, the requirements on the council now and into the future and our general assessment is that the smaller councils are struggling.

**CHAIR:** You would say Hume shire is struggling?

**Mr PAYNE:** I cannot be specific because I do not have the figures in front of me. When I say "struggling" I mean that they are a small shire with a large area. My guess is that they would have a limited capacity to meet their future needs.

**CHAIR:** Concern was expressed by Hume council representatives that effectively if there was an amalgamation with Albury that Hume would be untenable after the section was excised into Albury City Council and that they would end up with a situation where that part of Hume shire would not have the capacity with its population to have representation, they have no wards. We heard from the mayor of Albury a disturbing commitment to actually have councillors responsible for the Hume area but they would not be elected from that area, they would be effectively city councillors given a brief to be responsible. How does your department deal with what seems to be a serious loss of representation to those people?

**Mr PAYNE:** Can I answer the question more broadly to start with? I think you are right that one council taking a substantial portion of another council won't resolve anything. From memory the Albury proposal was around about 72 percent of the Hume area, leaving about 28 or 30 percent, which would not be viable, which is

one of the reasons we are doing the regional reviews. We have announced the regional review into Albury, Hume and Corowa to address those problems. In terms of representation, there is a number of ways that could be achieved. Bearing in mind none of the regional reviews have been finalised as yet, so I am not in a position to say what is to happen, to maintain representation is very important and one of the things we have been looking at in regional reviews is to have a structure where in the smaller towns you have a community committee with certain statutory powers and they could be elected or whatever, you can design whatever system you like so the people in that town have some representation back to the centre.

When we are talking about the bigger units, they are there to provide the basic infrastructure and services not the day-to-day activities. I spoke of Nundle a couple of months ago and their concern that they had a voice in any larger unit and that is a reasonable request. It seemed to me you could get around that by the larger body having wards much as we do now but just on a bigger scale. Another system is community committees. There is any number of ways you could approach this. I am keen to make sure the approach we adopt is the best for that particular region, which means that what we do in one area may differ from another area but that is reasonable and that happens now.

**CHAIR:** You mentioned new charges, greater awareness and expectations from the Committee and what has been coming constantly from larger and particularly small councils is the issue of what they have termed as “unfunded mandates”. We have seen a lot of legislation going through at a State level, which means councils having to do a lot more work and, as you said, the cost is there. Does your department have any resolution in terms of supporting councils, particularly the small ones?

**Mr PAYNE:** We have no financial capacity to support councils. The response to those demands varies from council to council. The solution to this is the way we are going now and that is to reform of the Local Government sector to be in a better position to have a capacity to respond to those needs.

**The Hon. CHARLIE LYNN:** In a press release issued on 6 November the Minister stated that the consultation that the government is undertaking through regional reviews "is on top of the public consultation required by the Boundaries Commission and the Local Government Act". However, during the hearing at Tamworth the Committee heard from the councils that on advice the voluntary amalgamation of Tamworth, Nundle, Parry and Manila has been changed to a boundary alteration so as to by-pass the need for the Boundaries Commission (page 2, Mr Trelor's evidence). Is that correct? Will there be a formal amalgamation process for those councils, and if not why not?

**Mr PAYNE:** In that area, and indeed in a number of other areas, there have been multiple proposals lodged from different councils. For instance, there was a proposal from Tamworth, Nundle, Parry and Manila but equally there was also a proposal from Quirindi. Our response to that was to take those proposals into account and then look at them from a reasonable review perspective. We did not want to sit in judgment on what was the better proposal. One of those proposals may be adopted at the end of the day but in fact they have been taken into account and broadened. I think I said at the last hearing it is very important that when we look at a proposal from a council, or whether we are looking at a region that we are very conscious of the impact on those councils on the perimeter. You do not want to come up with a solution that creates another problem further down the chain. The Tamworth and other three proposals excluded Quirindi. That may or may not be the right thing and that is being looked at now and there is a facilitator up there consulting who is also consulting Quirindi. At the end of the day we will come up with a proposal that I hope will take into account the views of all the councils in the region and those on the border.

**The Hon. CHARLIE LYNN:** I found the situation of Nundle interesting because some small councils have accepted that there has to be a change in support. The view of Nundle was that they were happy to join Parry because they wanted to remain a rural council. They went along with the Tamworth submission because of the HIH issue and they thought it was inevitable but their real heart is within Nundle, they want to keep Nundle shire. It has been there for 96 years, they have enough money, they have their council depot in the town and there is a lot of pride in that council. In your criteria are you looking at the spirit of the town as well as the financial aspects?

**Mr PAYNE:** Certainly. We are not going to change Nundle; Nundle will still be Nundle and will be known as Nundle and we won't change the street signs. I have had extensive discussions with Nundle because we have been quite close to them through the HIH issue. It has impacted on them because their exposure to claims far exceeds their rate base. Their concerns to me were exactly that, they want to preserve not so much the shire but the area of Nundle and its unique character. I do not see that changing. They were concerned to have

an equal voice in any new body and that is fair. They felt a little over awed by the size of Tamworth. The benefit of the regional review process is that it gives Nundle and the small areas an equal voice. Their voice to the facilitator carries the same weight as it does from Tamworth. They were concerned to make sure they had both a political and administrative representation in the larger body so that if something happened, a pothole developed or a seat in the town broke, they could get it fixed. That is reasonable and hopefully the system that is a product of this review will cater for those things.

**The Hon. CHARLIE LYNN:** The main issue they have got is the representation. They said to me when I went there that if they could have someone in the town, just a person behind a desk who people could walk into and tell their problems and issues then they could be represented and it would take away a lot of their angst.

**Mr PAYNE:** If I may express the thoughts of Garry Payne, not necessarily endorsed, but it is possible that you have a larger council that has staff who are allocated responsibilities to look after certain areas. I hate the term "place managers" but that person has to keep an eye on the town and the area, ensures that they get an equal allocation of resources through the budget process, bids for the budget process and if something happens that is not budgeted for they can get in and get the works people out there to do it. Nundle now has a very small workforce but you would be able to put to use a far bigger workforce than is coming from the centre now. I am sympathetic to Nundle, I have had extensive discussions with them and I do not see the unique nature of that town changing other than hopefully that the level of services and facilities that go into it from a local government perspective increase. They said that one thing they want is to get their caravan park upgraded at a cost of about \$200,000. \$200,000 from the Nundle budget is a lot, about half their rate base for a year. \$200,000 from a regional council perspective is not going to be a lot of money. I would think the chances of their caravan park being upgraded would be very high.

**The Hon. CHARLIE LYNN:** I have stayed in the caravan park and I gave it a five-star rating anyway; I was very impressed with it. Could you explain the decision-making process which led to the announcement on 24 October that the proposal by Ryde council to take parts of Hunters Hill would not be put to the Boundaries Commission? Was this an administrative decision or was it made at a political level?

**Mr PAYNE:** No, there was litigation 18 months ago regarding the boundaries of Sydney and South Sydney and we were in the Land and Environment Court, the Court of Appeal and the High Court, and what came out of those cases was the view that a proposal, a boundary proposal or amalgamation proposal, had to be such that you could walk into the street and somebody could understand what you were trying to do, so it did not have to be precise in the sense that it had to be a metes and bounds description but you actually had to draw it or portray it so that somebody out there could understand what you were doing. My understanding of the Ryde proposal is that it was determined by the department that that could not be held up on the basis of what was provided. That does not stop Ryde coming back with a proposal, but I do not want, as a department, to be second-guessing what councils are proposing, I need to understand what they actually mean, and that is basically the view of the courts as well, which is a reasonable view.

**Ms HALE:** One of the complaints that has surfaced throughout the hearings has been that, for example, Hume was never made aware of what Albury's proposal was. There seemed to be an element of secrecy surrounding it. I assume that you would think that these proposals should be made public?

**Mr PAYNE:** Yes.

**Ms HALE:** I am somewhat disturbed because I understand that the general manager of the Council of the City of Sydney has in fact put in a proposal to extend the city's boundaries. If that is the case, do you think that should be made public?

**Mr PAYNE:** Well, I am actually not aware of that. In the Albury-Hume case, the Boundaries Commission, from memory, actually went and spoke to the councils, so I would assume that Albury and Hume know what proposals are on the table.

**Ms HALE:** They do now, but I believe there were a couple of months where there was some secrecy?

**Mr PAYNE:** It may be a timing issue, but I would have hoped that proposals developed by councils coming forward to us in fact were aired publicly before they came to us.

**Ms HALE:** So you think that all councils should be prepared to make public the proposals that are being received?

**Mr PAYNE:** Yes, I can see no reason why not.

**Ms HALE:** I find that interesting, as a councillor on Marrickville council. I understand that Botany made a claim on part of the airport lands that attach to Marrickville and also attach to Rockdale and yet I, as a councillor, have never been given the details of that claim.

**Mr PAYNE:** I think I said at the last Committee meeting that when these regional reviews or proposals go to the Boundaries Commission they basically become public. There is nothing to stop a council, and many councils have made their proposal public before it reached us.

**Ms HALE:** So people could get copies of any proposal from the Boundaries Commission?

**Mr PAYNE:** No.

**Ms HALE:** How would they obtain copies?

**Mr PAYNE:** It has to be referred to the Boundaries Commission. Some of the proposals, such as the Ryde-Hunters Hill proposal, did not reach the Boundaries Commission because we deemed that it was not a sufficient proposal to go ahead.

**Ms HALE:** So if we cannot get it from the Boundaries Commission we could get it from the department?

**Mr PAYNE:** Well, I would prefer that you get it from the council.

**Ms HALE:** You were talking about communities committees. I think in the case of Orange council, they had set up – this is a couple of years ago – several communities committees, but residents mentioned to me that these failed to meet; that they appeared to be a token gesture in terms of ensuring community participation. What sorts of responsibilities do you see these community or precinct committees having?

**Mr PAYNE:** Well, once again, you can design any system you like, but I think if you are going to have it you actually have to give community committees some statutory power or place and have some requirements placed on them. It is possible that you could give community committees small budgets to handle those issues that are very localised.

**Ms HALE:** But localised issues like painting a park bench are one thing and representation when it comes to zoning matters or financial allocations or loss of employment are different things.

**Mr PAYNE:** Well, if you have a ward system you then still have a representation at the centre which will look after that local area.

**Ms HALE:** Yes, but my understanding is that, because of the requirement that there be a certain parity in population numbers, a ward system does not work appropriately in many large rural areas because obviously there are far more people in one central place than there are in outlying regions.

**Mr PAYNE:** Yes. I would have to say - and it will go on record - that I probably would prefer not to have wards because I have watched councils that are undivided and I think they function equally as well because I think people generally will look after their entire area. The trouble with wards, of course, is that you have two or three councils looking after one ward and the rest do not really get involved in it. I would prefer the corporate body to take full account for an area. Having said that, I do appreciate the problems in the country in particular. I think with local representation there are two levels. One is the local needs - as you say, the park bench - and I think they could be catered for reasonably well, and I think the bigger ticket issues you could handle either through the ward system or through having a portfolio responsible for an area. If I am sitting on a council and I am given portfolio responsibility for Nundle, say, and I do not actually live in Nundle, I think I can still carry out those functions effectively if I know what I am to do. You can have portfolio responsibilities in terms of area, you can have portfolio responsibilities in terms of functions or you can have both. I have seen those systems in the United States and they work very well. Not always does the person looking after a

particular area come from that area, but they usually have expressed some form of interest in that area to look after it from a political and a council perspective.

**Ms HALE:** You said earlier that you thought that smaller councils did not have the capacity to meet the needs of their communities, particularly infrastructure needs. Do you know any council anywhere that has the capacity to meet those needs?

**Mr PAYNE:** Obviously it would be good if all councils had the resources that they needed. The answer to that is No. You have to draw a line at where is a reasonable balance in terms of public expectations and requirements on councils and on levels of government to support an area and it is never static. We are seeing now, for instance, in the southern highlands, high levels of growth. That growth is coming from Sydney. The demands of the people buying there are very high. They want the roads sealed and they want them sealed now, and we have been working with the council to in fact put a program in that will address those issues over the next seven to 10 years. It is going to cost. They were given a rate increase of something in the order of 15 percent, I think, and I think there are some more increases in the pipeline to do that. The community generally has been supportive of it - in fact we have had no objections to the rate increase or, I am sorry, there may have been one. The program is very transparent, it is very open, and that is one way to address it. I think I said this last time: We are very conscious of the need to sit down with the council and resolve these issues in the long term as best we can, bearing in mind that the community does not have unlimited resources to put in either, and when you go to a place like Nundle, the capacity of a council with a rate base of \$500,000 to generate sufficient funds to do some of this work - well, it is just not possible.

**Ms HALE:** In terms of rate pegging, evidence was given that for one smaller council the rates increase brought them in \$90,000 but the increase in their wages costs was \$190,000 for that year. You say, I think, 30 or 40 councils have applied for additional resources, but surely the whole system of rate pegging must be under question if it is so out of kilter with the financial needs of a council?

**Mr PAYNE:** Well, I actually do not think it is out of kilter, and I have had it said to me by councils. Some councils have said that they thought it was a good method of discipline on them to look at their internal operating structures. I produced, on a question from the last Committee meeting, a response over the last five years of the number of applications we have received for special rate variations and they very quickly add up, over five years, to about 130 or 140 councils and many of those have been approved. So in the example that you have mentioned with the \$90,000 rate increase and the \$190,000 wages bill, that would be a case where the councils would come to us and I can assure you that we would be fairly sympathetic if that was correct, but what I am trying to get through is, rather than have councils come to us on single projects such as that, come to us with a program of works, such as Wingecaribbee and Eurobodalla did last year, to look at the overall needs of their shire or area in the medium to longer term, and they have just put into place a financial program that can meet those needs. It is a benefit to the council because it helps them to operate; it is a benefit to us because, although they will come in each year because we only approve a yearly thing, we would know what the program is, and it is a benefit to the community because they know what the council is doing over the longer term. You may not agree that certain roads should be sealed, but at least it is transparent and open, the programs are advertised, and I think that works well. From where I sit, the community generally accepts that type of forward planning very well, rather than a reactionary situation.

**CHAIR:** The material that you provided the Committee today goes from 1999-2000 with 31 applications for special rate variations and 23 not approved to 2003-2004 with 23 applications received and zero not approved. Can you perhaps enlighten the Committee on why there was such a radical change?

**Mr PAYNE:** I cannot speak on the specifics, but I can tell you that the standard or quality of application that is coming in now for special rate variations far exceeds what it did five years ago. Back in 1999-2000 I would guess that many of the applications were for what you were saying, the one-off rate increase. I can remember one council with a rate base of \$130 million seeking a special rate variation for \$46,000. Now the department's view is that, if you cannot find \$46,000 in \$130 million, you are really not trying. What we are now finding is that the standard of application that came in this year, 2003-2004, was very high and, as those figures show, they were all approved either in full or in part.

What we are also doing now that we probably did not do five years ago is working with councils before they lodge applications, so now councils will ring and say that they are thinking about a special rate variation early next year and we will sit down with the council and work through the application. I cannot guarantee the outcome but we will help them structure an application and ask them to look at their overall requirements rather

than just specific issues. In some cases there is a specific issue, and I accept that that needs to be addressed, but we are working with many more now before the application arrives. Five years ago the applications came to us without our prior knowledge. I would say that with the majority applications now we have some prior knowledge, if not total knowledge.

**Ms HALE:** Given the reality for many country areas that (a) income levels are low and (b) people do not necessarily have access to IT or computers or whatever, and given the costs of even travelling around in their cars because of the long distances and the absence of appropriate public transport, how do you feel that we should be coping with the concentration of resources perhaps in a larger city and the removal of these sorts of resources that are currently supplied by the smaller councils in outlying areas?

**Mr PAYNE:** I have never advocated the centralisation of service centres. What I am talking about is developing an amalgamated capacity. I think it is very important that the people in these small towns and villages have at least the same if not a better level of access to council services, and that is one of the issues that we would be insisting on as a result of the regional reviews. It is not adequate to have people now travel large distances to pay rates because I accept your point, not everyone has internet access and so on, so there has to be a local capacity for people to do business with the council, whether that be financial business or to lodge a complaint or whatever. There has to be some capacity to do that. Speaking to a number of the larger councils involved in regional reviews, there is a very high level of willingness to do that, they are very conscious of that. In fact if that is the way it transpires that there is a larger regional body, to make sure service and employment levels are maintained, not necessarily the same people but we are very conscious that often in a small town the council is the town and that it is a large provider of employment and economic activity. We do not want to do anything to disturb that. I have spoken to some general managers about this issue and it varies depending on the area but quite often, because of the technology, you can separate the centre and have it geographically dispersed and still operate as well. For instance, one council said to me that if there was a regional council developed they would put a division of their council in this particular town and that in fact the numbers of staff would increase to those that are there now. I would encourage that.

**Ms HALE:** From some councils we have received fairly positive reports about the regional operations and I think one area was the Riverina.

**Mr PAYNE:** The ROCs.

**Ms HALE:** The suggestion was that ROCs should be given some sort of the statutory recognition and that the ROCs could provide such functions as the sharing of IT, drawing up of model local and environment plans or DCP's, etcetera. The belief was that if that tier was in place then the councils could continue to survive and operate in a way that residents believed they were accountable and transparent in their operations. Do you think this might be a better way to proceed than the possible amalgamations of smaller councils into one big council with the subsequent fears of loss of representation?

**Mr PAYNE:** In general I do not think it is my preferred option because I have watched ROCs over a number of years, some work very well, it depends on the personalities that drive them because you can get high levels of conflict. I looked at the far west a couple of years ago where you have seven or eight councils and amalgamation is not an issue because of distance. They are all running seven or eight administrations and what you could do is form a centralised administration in the sense of a cooperative rather than a company structure. In a cooperative irrespective of your size you get an equal vote. The administration would be run through the cooperative, owned by the councils. That wasn't taken up but that is viable for an area that is geographically very dispersed. The ROC issue is a model and I will ask the facilitators to look at that when they go out but by and large there is a place for ROCs. There has been some very successful exercises such as the one in the South Sydney area, with the combined buying power has been very successful. Those types of things can still take place. In terms of driving the day-to-day operations of local government services and facilities I am not sure ROCs are the way to go.

**Ms HALE:** I gather there are more regional reviews to be undertaken and with those that have already been completed the reports have not been made available?

**Mr PAYNE:** Correct.

**Ms HALE:** When do you expect those reports to be available?

**Mr PAYNE:** The first review was in the ACT region and I would expect that report would go to the Boundaries Commission within a matter of days, it will be posted on the website and will go to councils, obviously. The Peel Report I expect will be available probably by the end of this month. The Clarence Report, mid December, we have announced Macquarie, Bathurst areas and others, which because of the Christmas period will probably go into February; and Albury-Hume-Corowa probably about the same period.

**Ms HALE:** As I understand it, I think the Minister said, the regional reviews will continue on over many years?

**Mr PAYNE:** Yes, at this stage we are looking at a three-year program but it could be extended.

**Ms HALE:** Do you anticipate the local government elections, which are scheduled for 27 March, proceeding on that date?

**Mr PAYNE:** Most councils will go to an election in March 2004. If there is a reasonable review in it and there is a decision about to happen then it may be possible they will be deferred. As I said with the timeframe we are looking at that would be the ACT area, Peel and perhaps Clarence.

**Ms HALE:** They might be deferred?

**Mr PAYNE:** For a very short time.

**Ms HALE:** What about the Albury-Hume region?

**Mr PAYNE:** I have not actually worked out the timing, the review has not started and we have the Christmas period coming and it would depend on how close the results of the review were to the election period.

**Ms HALE:** There is speculation in this morning's papers that South Sydney, Marrickville, Ashfield and in Leichhardt that the elections may be delayed and that the Government may be revisiting the Sproats' recommendations. In your view what is likely to happen in those inner-city areas?

**Mr PAYNE:** I do not know, I read that article today as well and I had no knowledge of it. I do not know what is going to happen in the city area but I am a supportive of doing regional reviews also in the metropolitan area. The needs and the issues are different but I think we need to look at some areas of Sydney to see whether there are better ways to do things but I do not have a program.

**Ms HALE:** If you are saying the needs of the Sydney area might be different to those in the country area, before embarking on the regional review in the city or in the country do you think it is appropriate to establish a set of guidelines as to what the review will be looking at or do you think it is a question of what people throw into the ring?

**Mr PAYNE:** This was asked of me when we started this program: Will I come up a set of guidelines? I took the view in fact it was better not to because I am trying to generally get local areas to look at local needs. I have seen some guidelines for reviews that have been developed by one organisation and there are some very good points in there and we are looking at those things but I do not want to be prescriptive. The Local Government Act in 1993 was developed to be non-prescriptive and I think that has been successful and we are trying to carry that forward and to get local area is to react to local needs and to design themselves around local requirements. I do not want to be prescriptive from the centre.

**The Hon. KAYEE GRIFFIN:** Do you want to make a comment on some of the evidence in relation to Armidale-Dumaresq where when they gave evidence they said that the amalgamation had been very successful but one of the issues that had not been dealt with was the issue of rating between what was the Shire of Dumaresq and Armidale City Council. When an amalgamation happens, do you have any opinion about where you see in the order of importance the issue of rating across a new area?

**Mr PAYNE:** I think rating is incredibly important in a regional context because you are going to have a mix of urban and non-urban areas. One of the fears some of the smaller centres have expressed is that their rating may be lifted to the town rating level overnight. My view would be that we would prescribe by proclamation, perhaps if that was the case, some limits on the capacity to do that. What I have asked councils to



do continually, and I would ask them to do on an amalgamated or regional basis – and we would work with them – is to look at their rating structure over all, the mix of rates between all the various sectors and to do extensive modelling. In 1993, when the new Act came in and base rating was developed, the councils that did extensive modelling, and I can visualise mountains of paper, have successfully made the transition under the new rating provisions. I suggest that needs to be also done in any reformed area – it is important. There will be some issues because in some areas, particularly in the doughnut councils, the rates are generally lower because the service is provided by the town. I am conscious of that and I'm also conscious of the fact you cannot double rates overnight on people. I think there needs to be a rational approach taken to the transition from the old or the current to the new. I do not think you can make any decisions on that without going through and just starting to crunch some figures with us.

**CHAIR:** On the Armidale-Dumaresq issue, Mayor Chetwynd said that the amalgamation was generally in an area of the community interest “in spite of” the Government. Would you care to comment?

**Mr PAYNE:** I am not sure what he means. Would you repeat that?

**CHAIR:** He mentioned positives about the Armidale-Dumaresq amalgamation and they had that experience but he did say that there were areas of community interest and that he was positive about that despite the Government. He had real concerns about the Government's role there. Do you have any awareness of concerns?

**Mr PAYNE:** The only issue I can think of with Armidale-Dumaresq is that we were not impressed with the fact that they appointed the new general manager before the new body came into being, in other words of the old appointed the general manager. We would have preferred that to wait until the new body was formed. Other than that I am not sure what he is referring to.

**The Hon. KAYEE GRIFFIN:** From the hearing in Tamworth in relation to pristine waters, one of the comments from the general manager related to the fact that the new amalgamated council because of employment provisions had a salary system – and I realise the award system is not necessarily in your backyard – but one group of employees from one council were on one salary system and employees from another council were different and that a new salary system had been negotiated for the amalgamated council so that effectively there were three different systems operating for the staff of that amalgamated body. In terms of employment provisions in the Act and any regulations, is the department looking at some of those issues to try and resolve some of those in any future changes?

**Mr PAYNE:** We are aware of it but we are not actively undertaking any detailed work. We have put through the Employment Protection Bill, which guarantees jobs for a period of time. I am conscious of the differing systems not just in salaries but in benefits as well and that is an issue that needs to be a priority at the implementation phase. We have been speaking to the unions, and they are obviously aware of it, and the councils concerned. It is not going to happen overnight, there will be a phasing in period. It is a very difficult question because we do not know, as a department, the level of conditions and benefits out there until we get there and see what it is. So far in the councils that have been amalgamated in the last few years there have been some implementation issues along those lines. We are facing it also with Sydney and South Sydney - a different set of benefits but that will resolve itself in time and hopefully to everybody's satisfaction.

**The Hon. RICHARD COLLESS:** One of the issues that have been brought up with us by a lot of councils is the geographic size as opposed to the budget size or population size of councils. Do you have any ideas about when local government ceases to become local because of its geographic size?

**Mr PAYNE:** No. That is nearly an impossible question to answer. Our reaction to it is that we have a system in place through the 1993 Act and what we are doing now will hopefully recognise the variations and, as I said earlier in your absence, I think what we will end up with is local government bodies that will look entirely different across New South Wales. I think that is quite reasonable because if you go to a place like Walgett or the Central Darling or Cobar, they are largely engineering-type councils, they are roads councils, whereas if you go to Marrickville it is a different set of issues, there are more social issues, community issues, and that is fine, I have no problem with that, but we need to design a system that can cater for that. I have some sympathy for those western councils. They are huge areas and their cost structures are very high because they have to travel so far to do whatever they have to do and you cannot physically cover the whole area. I had a look at the road network in Central Darling and it is massive. Each time it rains, which is not regularly, the roads become impassable and there are massive problems. Another thing that I am concerned about with those councils is

their heavy reliance on grants, which is not in our area, but any change in the grant structure could impact on them very unfavourably - I suppose favourably too, but the negative side is that it could have a major impact on them. So I do not think there is any perfect size council, I do not think there is any suggestion from us that there is an ideal level of council services or facilities, it depends on what the community needs, what the council can bear in terms of costs and what the council has the economic and skill level to provide.

**The Hon. RICHARD COLLESS:** We spoke to the Nundle, Parry and Tamworth councils and one of the issues with Nundle was that they could not see that they had anything in common with the people who lived at Manila, for instance. They were quite amenable to talk about amalgamating with Parry, but they did not particularly want to be involved in a council that had Tamworth and Manila in it.

**Mr PAYNE:** I have heard that, but I have also heard, in one council area, the people in the country say that they did not have much to do with town people. We are talking about a council. We are not going to change the fundamental nature of the town. As I said earlier, we are not changing the name of the town or the nature of it or how it relates. When we look at it on a regional basis, you will find that the people of Nundle and Parry and Manila go to Tamworth a lot, they actually do relate to Tamworth, and if you want to go to Nundle you will fly into Tamworth, you do not fly into Nundle. The town will be the town. The council is a service provider of certain facilities. The State and Federal Governments have other services and facilities; this is just one area. We are talking about the council, we are not talking about the town, and we are not going to start putting high-rises up in Nundle or anything like that. What we are trying to get for Nundle, as indeed a lot of the smaller areas, is an organisation that can better provide their local government services and facilities and infrastructure. Nundle cannot do that with their rate base of \$500,000 or whatever the figure is. I think I am right in saying that people tend to think regionally, even though they might think that they relate more to Parry than Tamworth, and it is probably right, if they think regionally, you are better off getting some economies of scale for the bigger items. What I think is important to preserve is the unique nature of the local towns. I do not actually see that changing. One of the councillors at Nundle, who is a publican, said to me, "What will happen, at the moment my drinkers look out the window and talk about the seat that the council has fixed and that will cease to become a topic of conversation and they will talk about something else", and I said, "Well, maybe they will".

**CHAIR:** With the smaller councils where Federal Assistance Grants are a major factor of the financial equation, coupled with the cost of structural change, physically amalgamating, moving staff, et cetera, how does your department factor in the real cost? It is a bit like a house move. What the committee has heard about in some circumstances is the loss of a certain amount of the Federal Assistance Grants in the process of amalgamation, the physical changeover, staff changes, just rearranging the furniture, so to speak. How do you actually factor that in and how have you assessed that?

**Mr PAYNE:** Well, the regional facilitators will take that into account. In terms of the grants, we guarantee the same level of grant for an amalgamated area for two years and we are looking at whether that can be extended for a few more years. I think the real concern is what is going to happen with the financial system grants and there is a report being handed down by the Commonwealth at the end of this month I think.

**CHAIR:** When you say "two years", that is a very short period of time in terms of council life and all the pressures they have, especially with unfunded mandates. I can see that councils are really getting squeezed there.

**Mr PAYNE:** I did not bring the figures, unfortunately, but I have been informed by my departmental people that the level of grants in Armidale-Dumaresq and other councils that have amalgamated in the last few years has gone up overall.

**CHAIR:** Appreciating that, there are other councils that I could find in my notes that are figuring that in an amalgamation process their area will actually lose grant funding. For example, the Tamworth, Nundle, Parry and Manila amalgamated total Federal Assistance Grant is increased by \$250,000 a year. What steps would your department be taking to deal with that?

**Mr PAYNE:** Well, the grant is something that comes through the Commonwealth and is administered by the State Grants Commission.

**CHAIR:** Appreciating that, you have a Commonwealth grant, you have a council working with that amount and then you have a State Government initiative?

**Mr PAYNE:** \$250,000 a year I think you could probably find after a couple of years in terms of the efficiencies you would gain from an amalgamation. If I could just go on to the next thing, because I think it is related, I have heard many claims that amalgamations are going to cost money because we have to repaint trucks, we have to get new letterhead, a new corporate logo, we have to do this and we have to do that. As an old bureaucrat, I can say that you do not have to do all of that. No one is looking for you-beaut logos, et cetera. This will take time and it can be eased in. You do not need to build new administrative centres and so on, particularly with technology today, you do not need people necessarily all together in office accommodation, so I think it is often over-estimated, the cost of change, and I have some experience in that because we have been involved in some change ourselves. It can be minimised. There is a cost obviously, but it can be minimised. I think overall the reforms that we are looking at are designed to not only provide a greater capacity to perform but also to generate efficiencies, financial efficiencies, as well and I would be very confident that at the end of the day, and that day may be two years or five years after the initial change, the efficiencies would more than offset any additional cost.

**CHAIR:** In terms of those costs - and I appreciate your answer - there are also some smaller councils giving us examples of community facilities that were valued at \$5 million but were actually built for \$3 million because they were getting the community out, hammer in hand, one day a week. How do we assess that type of social capital? Evidence was given to the Committee that it was very strong in a number of those smaller council areas.

**Mr PAYNE:** I do not see some of those things changing. We have been using Nundle as an example and I think that the townspeople of Nundle will still continue to have a very strong affection for Nundle and will continue to do community-based things. I think that any regional body would need to encourage that. We are only talking about the council as a provider of services and facilities. As I said earlier, we are not fundamentally changing, I believe, the nature of the town.

**The Hon. CHARLIE LYNN:** We have had a lot of submissions saying that councils have moved away from rates, roads and rubbish and are now into service delivery and asset management, and I think there is general agreement on that. We have spoken about the difference between regional and local, how local is local, but we have also had a suggestion that it may be better, if we are going through reform, to look at fewer councillors elected on a full-time basis as opposed to more councillors on a part-time basis. What would be your view on that?

**Mr PAYNE:** I have had a meeting with the local government remuneration tribunal on this. I would probably favour - and this is a personal view - in these reformed councils, if that is the way we go, fewer councillors with an increase in fees to meet the additional demands. I would pull back from saying full-time because I think you still need to have in local government a level of community volunteer service, but I do understand the level of time it takes, and I think in a larger body there will be increased demands because you will be looking at a region as opposed to a local town. I think if you move towards giving councils portfolio responsibilities for functions or areas or both then you would need to reassess the fees. I do not know what those fees would be, they would be determined independently by the tribunal. The tribunal does have the capacity to develop categories and the tribunal, I think in the last report, said that it was actually looking at doing that.

**CHAIR:** Just on that point, if the tribunal is looking at increasing fees and you are saying you do not believe that full-time employment is appropriate, how do you assess that in terms of time spent? I think we have all had experience of seeing councillors working at a full-time job and more.

**Mr PAYNE:** But it often depends on the individual's availability. Yes, you can make anything full-time.

**CHAIR:** But if it were a properly remunerated position then surely that would attract people who would be prepared to take it on as a full-time responsibility?

**Mr PAYNE:** We have full-time people in councils, and that is the general manager and staff. What I am saying is that the remunerations tribunal has consistently said that there needs to be a level of community volunteer service in local government. Having said that, we have moved away from the \$60 a meeting fee to a maximum of \$3,000 pre-1993 to a system where, in some of the larger councils, it is a reasonable fee. They will argue that it is not enough - it is probably never enough. All I am saying is that I do not think we are at the stage

yet where councillors should be paid on a full-time basis. I do know that they put in a vast amount of time and the current fee level, particularly for mayor, is reasonable. That increases, through the tribunal, through CPI and there have been other increases in levels. The other thing that has happened over the years is that councils have moved from category 4 to category 5, which means their fees go up to a higher level. If you come in with a regional council model you would probably create a new category for regional council and you would remunerate it at some level. All I am saying is that the tribunal – and I am not the tribunal – has consistently said there needs to be an element of community service within that function, which would stop it being full-time but I do recognise that many, particularly mayors in the metropolitan area and the larger country centres put in more than a full-time effort.

**The Hon. RICHARD COLLESS:** As a former mayor of Inverell shire, while it probably was not a 50 hour a week job, it was certainly a 35 hour a week job, I consider the remuneration I received of just over \$20,000 was absolutely ridiculous for the responsibility and the effort that I was putting in. I was only mayor for one year before I came down here but that year as mayor, business-wise, cost me possibly \$60,000 or \$70,000 in loss of income in my business, for which I received \$20,000 remuneration from the council. I put to you that the current structure of remuneration for mayor is grossly undervalued and something that needs to be addressed?

**Mr PAYNE:** That is why the tribunal is there.

**The Hon. RICHARD COLLESS:** You made the statement that you thought they were appropriately remunerated?

**Mr PAYNE:** No I was talking about the level of community service, I said it was not full-time, I am not talking about the quantum of fees, and it is not my role to talk about the quantum of fees. All I am saying is we have gone from a system – and Inverell would be no different – where you got \$60 up to a maximum of \$3,000 per year to now you are talking about \$20,000 plus the council fee.

**The Hon. RICHARD COLLESS:** Under the old system \$60 per council meeting was for councillors not the mayor, the mayor received an additional fee on top of that.

**Mr PAYNE:** The mayor still receives an additional fee.

**The Hon. RICHARD COLLESS:** Yes but the councillors on Inverell council only get about \$7,000 now and the mayor gets about \$20,000 but for the effort the mayor puts in that \$20,000 is abominable.

**Mr PAYNE:** I am not making any judgment on that and if that was the case as mayor of Inverell, then there is a capacity for you to approach the tribunal for a determination. That in fact happens, the tribunal receives many submissions.

**The Hon. RICHARD COLLESS:** It is my experience they do not agree to many of them, though, when it comes to remuneration.

**Mr PAYNE:** That is independent of me.

**CHAIR:** We acknowledge the issue and also that you are not the tribunal.

**Ms HALE:** Of the many submissions we have received I think every one has complained about the impact of unfunded mandates and I assume these requirements of council are likely to continue and I cannot see them dissipating. Do you think it is appropriate when such legislation is enacted there should be a cost analysis placed on it at the same time so that the public is aware of how costs are being shifted from one element of Government onto another?

**Mr PAYNE:** I cannot comment at the front end of the program because it is coming out of other portfolio areas or agencies. In terms of the special rate variations we do look at the cost impact of programs on councils – not just programs but other issues such as insurance isues, companion animals are, we loaded into the rating system a particular percentage for companion animal management. Bearing in mind there is an initial cost to that for a council that is built into the rate base forever and a day and compounds. What we do not do, other than through our comparative performance information we publish once a year, which is basically a publication of data the council gives us, is to see whether in fact that rate increase received is being spent on what they got it for.

**Ms HALE:** It is equally possible, is it not, if you underestimate the cost impact that also compounds?

**Mr PAYNE:** Yes, that is true. If we underestimate they are very quickly back and I think I said at the last meeting where councils have forgone a rate increase for political reasons they will pay a penalty and that penalty compounds dramatically. We have seen a number of councils that have come into us and they have been at \$15 million to \$20 million behind over a period of time because of some decision taken back ten or fifteen years. Years ago Tweed council was in that situation and were looking at a 30 to 40 percent rate increase to get back to where they should be. Now 30 to 40 percent in one hit is a probably beyond anybody's imagination. We developed a program over three or five years to get them back up gradually to where they should have been had all the rate increases been taken up. There is a compounding factor both ways.

**Ms HALE:** Do you think there is a role for a minimal rate increase to be built in rather than to be optional so that the pressure is moved such as pressure in the lead up to local council elections?

**Mr PAYNE:** I would like to be that prescriptive. I do not know of any council in the last couple of years that has not done it, there may be one or two but I would be fairly confident the vast majority now take their rate increases because we encourage them, firstly, and I think their staff realise what the impact is likely to be. If a council or mayor is starting to talk that way the general manager will usually ring the department and we will generally ring the mayor, if that is the person, and talk of the mayor out of it because you are leaving a legacy – you might not be there but you are leaving a legacy for the future. The department is very keen and is putting a big effort into working with councils on forward programs, which do away with that because we will lock in a program that even the new incoming council will have some regard to and that will give some level of certainty.

**CHAIR:** In your evidence on 23 October you stated that you were concerned about councils' reliance on grants especially as these grants cannot be guaranteed in the future. You also raised the department's concern over the councils' infrastructure renewal needs stating that it was undeniably a large figure. Is it your view that councils will be able to meet that infrastructure cost without recourse to a new funding stream such as a proportion of the GST or NCP payments? If so, how?

**Mr PAYNE:** I do not have the answer to that, the figure is not going to go away, and they are large. I do not think there is one single answer to the problem, it is a complex one, the flow of funds in is one issue and that needs to be maintained and equally the capacity and efficiencies generated at the ground are another. I suspect at the end of the day like everywhere else there will still be a gap. What we are trying to do is to minimise the gap. I can only concentrate the department on the efficiency and performance level. We have the limited influence on things like the overall level of grants although we do make submissions to the Federal Grants Commission; and the State Grants Commission regularly tours around councils but at the end of the day all we are moving is a pot of money so if we increase a level of grant to one council it costs another council and that is the problem with the system we have now.

There is a combination of factors, we are also going to have to prioritise the infrastructure needs and concentrate where there is a capacity to maintain or fix a problem. It may be that some other areas have that to be let go. You cannot tar-seal every road in Wilcannia, and that has to be recognised – nobody is saying that they want to. It is a matter of sitting down with councils and working out a priority. The Federal Grants System is critical, particularly to country councils that rely so heavily on them. In the city area generally councils rely for about 50 percent of their income on things other than rates and grants are a factor but in the country grants are critical.

**CHAIR:** Do you have any thoughts on popularly elected mayors and consistency across the State?

**Mr PAYNE:** Yes I have some private thoughts but the system of regional reviews is addressing that and seeing what the locals want in terms of popularly elected mayor or not. I do not have any results but I get the impression from talking to people it is about 50-50. There are advantages and disadvantages. My former deputy director general used to disagree with my views and I respect that. I do not think at the end of the day I have the answer as to which is the best system. There are about 20 to 25 popularly elected mayors across the State, from memory, but it is in our directory. I tend to favour popularly elected mayors because you get the certainty of the four-year period. As a department we go through annual election of mayors and the games that are brought about by that and I get some of the backwash. The opposite is if you get a popularly elected mayor that is no good, you are stuck with them for four years. I have been desperately trying for 10 to 12 years to not be prescriptive to allow the local areas to determine those matters.

**CHAIR:** Do you have any report on the issues that arise with the process of that annual selection of mayors?

**Mr PAYNE:** No, just that at general election time and mayoral election time the number of complaints we get tends to increase.

**(The witness withdrew)**

**DAVID JOHN BRUNCKHORST**, Professor, University of New England, 12024 New England Highway, Armidale.

**CHAIR:** Professor would you like to start by making a short, be it a visual statement?

**Professor BRUNCKHORST:** I would like to give some background about how regional local government should best be located in terms of drawing boundaries that best reflect the social functions of regional communities as well as the ecological functions of the landscape, which of course are very important in terms of water supply, environmental planning, land use, planning arrangements and so on. One of the big questions for local government is the service delivery and also, currently, in natural resource management is: What is a region? We have done quite a bit of work in terms of how you should best described a region and what are the key conditions or principles that make a good region. We have come down to three key principles. The first is that the region should capture the place that is the social capital, which the Chair referred to earlier, the landscape area that is of greatest interest to the region or local residents. Second, that that region maximises or captures the greatest similarities of environmental landscape, which reflects land uses, management of ecological resources, water supply and so on. It is important to how councils operate, for example, if you have a council maintaining roads on black soil plains as opposed to sand or granite, there are different infrastructure resources required. It is also better from environmental planning and decision-making and important in terms of larger scale natural resource management implications. The third condition that is really quite important is this region can be scaled up and down for integration for other kinds of service delivery or management.

The first principle is all about – it is much better if I consider the region or local government area to be part of my community; rather than being disparate from it. The second principle is about managing similar ecological landscapes within that community context. The third principle is how you nest up and down at different scales for better integrated management and that means not only of the landscapes but also the institutional arrangements. How do you go about doing this? We spent about four years developing a methodology to work out what the region should be and where you might put the boundaries. Part of that involved some fairly sophisticated social survey design so that it was possible to actually map and analyse where people drew their area of interest, if you like, what they felt was their community, was the area of interest to them for local government, for regional development issues, in terms of civic engagement, how people civically would be involved in making decisions and their interest in making decisions in an area. To do this you have that to make sure that your social survey is not only a representative sample but also a spatially even sample because if you do not have a spatially even sample you cannot work out where those boundaries should be.

We worked out a methodology of doing that and actually asked in the survey asked people to draw on maps where their interest was for those different things – their community, their interest in local government and regional development issues. Another question we asked was the area of interest to them, if they wanted to protest or support some particular idea for future development, whether it be a positive or negative potential future development. All those questions were highly correlated and everyone basically drew the same area as their interest area for local government and regional development. When you put all those together it is like putting together a stack of pancakes and the pancakes stack up in an uneven kind of way and you get high points and low points. The darker areas are where the stacks are overlapping, where peoples' areas of interest start overlapping. As a quick aside, that is how those areas of interest look within the current local government. You can see the current local government areas cut off much of the area of interest to local communities and residents.

When you stack them up you get this community topography and you can find in that valleys. The valleys are where the area of interest drops off and then it might start going up the other side into a new area of interest to other communities. We have a way of working out where the deepest valleys are and where the shallower valleys are so you end up with fairly clear definitions. I should have said earlier we applied the methodology to a case study area to develop it further and trial it. That case study area was this northern New South Wales region. At the first level you get this clear divide at the top of the escarpment between basically coastal and inland communities. At the next level you get a divide then between the communities of the ranges, the divide and the beginning of the slopes roughly, and then the plains to the west. At a third level you start heading down to what we consider to be the appropriate level for regional local government areas.

We had a whole range of other question framings in our social survey to cross check what we were asking communities. We had a lot of standard questions like where residents go for different services, major and

minor, shopping, health services and things like that. There were also a few tricky ones to tease out some other things. We asked people where their junior sporting associations were, where they took their kids to play sport with or against other towns or communities. An interesting question we asked was when they had been away on holidays and were driving home, when did they feel like they were almost home even though they still had some way to go? It was quite amazing. It seems absurdly obvious when you think about it but the very, very high correlation is amazing. If we go back to those principles and examine those against current service delivery, including local government areas, they actually perform very badly at representing those regional, local communities of interest, but we realised that we needed to work out a way of rating that, how do you measure performance, if you like, and a simple way of doing that is simply what is the proportion of the area of interest to local residents that is captured within a particular regional boundary, administrative boundary or whatever it might be.

I am sorry, it looks more complex than it really is. Basically at the side we have the rate of percentage of capture of those areas of interest to local communities; down the bottom, increasing spatial area, and of course the larger the area, eventually the more communities of interest you capture. If you go right up to the continental scale you will have everyone's area of interest, or most people's, but there is a randomness that is associated with that. If you did a Lotto style, purely chance allocation of areas, then again, the larger those areas got, the more chance you have of capturing some of the areas of interest, so that totally chance, random allocation of areas follows this random line. The current local government areas, 33 in our northern New South Wales study area, captured less than 10 percent of the areas of interest to local residents and they actually performed worse than the random allocation.

It is interesting to note, as a bit of an aside, a lot of government service delivery is based on groups of local government areas. If you start grouping local government areas on this basis you can never perform better than random. The Premier's Department, agriculture and planning regions are basically groups of local government areas, but they can never perform better than that random curve in their current form.

Our analysis shows two key things. One is that we are still trying to find the smallest possible area to greatly increase the best capture and representation of the area of interest to local communities, so we are not necessarily trying to make big areas, we are trying to get the smallest possible area that has a pretty good capture of those communities of interest, so for much bigger increase in area, on average, we can increase the performance of that representation up to better than 40 percent. Actually some recent work we have done performed a little better than that. The other key thing that comes out of this is that it is not actually a continuum; there are discrete locations which perform better. You cannot have anywhere in between. If you go in between you are actually going to be cutting off communities, you are going to be going across high points and valleys, high points in the community topography, so it will drop right off, so these are actually specific discrete locations, and that is very important. Again, location is the key thing and you can see why current local government areas - and also, I might suggest, catchment boundary areas - do not work is that they are not the area of civic interest to communities and land users.

What we then do is combine that with how the ecological landscape looks because that is often a good representation of land use, environmental issues, issues important for local catchments, water supplies and environmental planning at local regional scales, so we then try to simply optimise, get the best fit of the communities of interest with the environmental landscape, but our bias in that would be not to lose too much of the communities of interest, so our bias would be towards the communities of interest because they are really the key in terms of managing those regions and getting their participative interest in civic affairs. Again we have the capacity to nest up for different levels and I would suggest that this level 2 is what maybe ROCs of the future might look like and also this is probably the level for catchment management authorities or natural resource management authorities on a regional basis.

**CHAIR:** Does that have a natural bias in a city or urban context in terms of council organisation just by virtue of the numbers?

**Professor BRUNCKHORST:** Not necessarily, no. Clearly larger centres like Tamworth capture more local communities in one way, but in another way no, the communities of interest can often be in quite different directions. Walcha is quite a good example of that in that Walcha is actually closer to Tamworth, which is a bigger centre, more health services and so on, but virtually all the people of Walcha come to Armidale and Uralla for their service provision and needs and, when you look at it further, the people of Walcha play sport with the people of Guyra, so they are actually willing to travel further.



**Ms HALE:** Why is that? Is it that the roads are better or they are just long-established networks?

**Professor BRUNCKHORST:** To be honest, I am not sure whether the roads are a significant factor. They need to come down the mountain to Tamworth, but it is not really very far. One of the key things I think is that the Walcha communities of land users identify with tablelands land users - they are graziers, they are not part of the cropping communities, and I think that is the very strong identity. The rest of the current Walcha shire, in fact about three-quarters of the current Walcha shire, is down in the Hastings Valley and the people of Walcha have actually no interest--

**The Hon. HENRY TSANG:** So the purple line is the valley where interests divide?

**Professor BRUNCKHORST:** That is right, and that is the highest level in the nesting. So I guess our argument is that an objective view of where local government might be located and where boundaries should go is that it should be the best matching of the social functions and communities of interest and the natural landscape. That can actually provide some real integration for a whole lot of other things from your local environment plans which can be meaningful because they actually do represent land users, communities of interest and the environment itself, and they can nest up to regional levels which similarly are a more appropriate context than regional environmental plans and perhaps other services. It is a discrete location, so I guess one of the ramifications from that is that if you start fiddling with boundaries here there is a domino effect and really you have to do the whole lot in one go, otherwise you are going to have things out all over the place.

**Ms HALE:** Could we go back a couple of slides to community catchments and natural landscape?

**Professor BRUNCKHORST:** Yes.

**Ms HALE:** Between the two shades, the purple-blue and blue, going up north from Dorrigo, for example, who gets that area? It seems to be no man's land.

**Professor BRUNCKHORST:** Yes, that is an interesting area.

**The Hon. RICHARD COLLESS:** What do those colours represent?

**Professor BRUNCKHORST:** The colours represent basically higher regions, ecological landscapes.

**CHAIR:** Is the light colour the ridge of the Great Divide?

**Professor BRUNCKHORST:** Yes.

**CHAIR:** So there would be a lot of wilderness area.

**Professor BRUNCKHORST:** That is right.

**Ms HALL:** Does that represent where you have taken, say, civic interests and bio-interests, as it were, and have amalgamated the two?

**Professor BRUNCKHORST:** We have followed more the civic interest there. There are some communities that you might say are marginal, if you like, where they are just sort of stuck in a valley, and it sounds horrible but in a sense they are in no man's land and actually Barraba is one of those. Barraba could go either way and it would be a matter of going back to the residents and saying what would you like?

**The Hon. CHARLIE LYNN:** So you are saying that if you were reforming on this basis you would have to do it in the State, so to speak, because people would argue that that area would have to stay as it is and so forth, if you are talking about reform for better delivery, social identity and eco-regions.

**Professor BRUNCKHORST:** Yes, I think so, because you cannot help affecting the neighbouring--

**The Hon. CHARLIE LYNN:** What has been the reaction to this by, say, the Local Government Association and Government?

**Professor BRUNCKHORST:** There is certainly some interest. I think that the Government is interested in the ideas. There has been a lot of interest by different local governments right across New South Wales and I think quite a lot of them have actually included these ideas in their submissions to the Government. It does not necessarily, just surmising a bit here, represent the views of mayors because current mayors were put in a bit of an awkward position, I suppose, because the Government said to them, well, give us submissions on where you think the boundaries should be and of course the Government got 180-odd submissions on different boundaries. I think also some mayors started going around their communities asking the question, "Do you want to change?" and, of course, that is not really the right question to ask because anyone asked that sort of question would say no, whereas we would argue that to identify the real communities of interest quite a range of factors is more appropriate.

**The Hon. CHARLIE LYNN:** Would you see this as an opportunity for real reform or tinkering at the edges, if you like, with boundary changes as opposed to reform of local government? Do you think we have a real opportunity here to reform local government, because we were talking about rates, roads and rubbish moving to asset management and delivery of services?

**Professor BRUNCKHORST:** I think there is a tremendous opportunity to really reform local government overall. I think that this is one of the most critical aspects of it, though. You have to get this right because otherwise you are not going to have any civic engagement in the rest of it.

**The Hon. CHARLIE LYNN:** So what would be your recommendation at the moment to us as a Committee looking at reform that we should pass on to Government?

**Professor BRUNCKHORST:** Well, obviously our bias would be to say, well, let's have an objective analysis of the whole State where maybe all the boundaries should go, and this methodology is a way of doing that.

**Ms HALE:** How applicable is the methodology to urban areas like Sydney, Newcastle and Wollongong as opposed to rural areas?

**Professor BRUNCKHORST:** Quite applicable. Obviously the scales are very different. I have been thinking about that and think they need to be separate exercises. You do not want domino effects. There is a clear boundary of urban and metropolitan, particularly of greater Sydney, and I think there would be a much finer scale required within that.

**The Hon. RICHARD COLLESS:** You stated that the local government areas performed worse than random, it is almost as if they have been designed to perform badly rather than the other way. Why do you think that is? Is it because some of the local government areas are so small that they have a very discreet area of common interest? Can you throw any light on why that happened?

**Professor BRUNCKHORST:** It is really an historical artefact.

**CHAIR:** Did they ever represent those communities?

**Professor BRUNCKHORST:** Yes, certainly, but probably right back to settlement days, the parish county became the local government area by basically how far you can travel by horse and buggy in a day. That is why you have some very weird boundaries such as part of the Armidale-Dumaresq, this narrow part that goes down what we call the Kempsey goat track and that's simply because it was a horse and buggy route and makes absolutely no sense at all for that council to be managing. Over the years because of transport, ease of movement of communities, ease of communication, better services, because all of those things have improved dramatically, communities naturally expand because it is easier for them to interact at slightly larger scales. Although in rural areas we complain about loss of services, one of the reasons for the loss of services is that it is simply easier to move around to get those services.

**The Hon. HENRY TSANG:** I noticed there are 26 centres in this region of New South Wales. How many municipal shires are in that region?

**Professor BRUNCKHORST:** Thirty-three, I think, in our study area. I don't have them all labelled.

**The Hon. HENRY TSANG:** Some shires have a population as low as 4,000, others 30,000. In this region what is the peak of that catchment area? What would be the range of any one of those centres, Moree compared with Tamworth, in population?

**Professor BRUNCKHORST:** It would still vary a fair bit.

**The Hon. RICHARD COLLESS:** Population is not important on your map.

**Professor BRUNCKHORST:** It is indirectly because service centres are important in any context. There will always be a reasonable size to service centre. The criterion is not population. Tamworth would be getting up there are, and it could vary 30,00 to 70,000.

**The Hon. HENRY TSANG:** Coming back to population, even the smallest service centre must be serving a population to make it worthwhile? The smallest centre would be 10,000? I noticed a 10,000 figure in your earlier slide, was that a minimum?

**Professor BRUNCKHORST:** No, there is no population criteria in our model.

**Ms HALE:** If we exclude the centres of Sydney, Newcastle and Wollongong and look at this as a way to approach the rest of the State how refined are your techniques? I presume you have ironed out a lot of the bugs or do you think it would be an analysis applicable to the whole of the State with the exclusion of those urban areas?

**Professor BRUNCKHORST:** Certainly, I think we could even include those areas but just exclude greater Sydney.

**Ms HALE:** I assume there is a degree of sampling that needs to be done then analysis. If you want to do the entire State have you any idea of the cost?

**Professor BRUNCKHORST:** Yes.

**CHAIR:** Is that including the Sydney area?

**Ms HALE:** No, excluding the cities, for the moment? Are Sydney, Newcastle and Wollongong the best ones to exclude?

**Professor BRUNCKHORST:** We have done rough figures, excluding Sydney and that is about a \$2 million job to do the full social survey. If you were doing an ordinary social survey for this area, you would only need a sample of about 2000 with the expectation that you would get about 20 percent of those returned. The problem when you are designing something to be spatially even is that the survey is about 10 to 15 fold and that is what makes it very expensive. The other way of doing it is a modelling version. In fact we have worked out a way of modelling it without going and doing the full-on survey and we could work out pretty much what it might look like. We can see if that has a high correlation with the primary data for northern New South Wales and then apply it to the rest of the State and then go out and do some quick social survey spot checks in areas that we are not sure about. That is about a \$600,000 or \$700,000 job.

**Ms HALE:** \$2 million is not a large amount. How long you anticipate that would take, in assuming there was genuine enthusiasm for the project on the part of whoever was putting up the money?

**Professor BRUNCKHORST:** It is a heck of a big job. We have thought about that and may be we could do it in a year but it would be flat out.

**Ms HALE:** How often would you need to review it to keep it relevant, when you say in which our current set up has been a hangover from the past?

**Professor BRUNCKHORST:** That is not easy to answer. Our guestimates based on current scientific literature and sociology suggests our communities develop identities, change and so on. Also the other key factor is population growth. If the North Coast continues to burgeon in population the change in community and interests will be more rapid in those areas, but our guestimate is that it is pretty good for two to three generations.

**Ms HALE:** That is 50 years or so?

**Professor BRUNCKHORST:** Fifty years.

**Ms HALE:** Given that we had a somewhat regrettable remark by the president of the Shires Association that she would shred all the work done by academics, would you anticipate a lot of political opposition to this? Have you encountered that?

**Professor BRUNCKHORST:** No, not at all. In fact we had a lot of media interest and talkback radio when we were doing the northern New South Wales job and people were ringing in and saying, "Yes that's what we want." It is obvious that the people, the residents in the communities have an interest.

**CHAIR:** Have you presented this to councils?

**Professor BRUNCKHORST:** With councils you get a mixed reaction and that is obviously because some councils or mayors may feel threatened.

**CHAIR:** Have ROCs or the Local Government Association given you any feedback?

**Professor BRUNCKHORST:** No, we have not had any feedback from ROCs, I do not think.

**CHAIR:** Has this model being applied in other States or countries?

**Professor BRUNCKHORST:** No this is a world-leading model. I have been invited to the US next year to present it in the US and Canada, they are very interested.

**CHAIR:** The Sproats Report into inner-city councils suggested the creation of several "super councils" in the Eastern suburbs and inner west of Sydney. What is your view of the Sproats proposal and how does it compare with the predictions of your model? Can your model transposed to such an intensive social area as these councils of inner Sydney?

**Professor BRUNCKHORST:** I think it probably could.

**CHAIR:** There would be a lot of door-knocking?

**Professor BRUNCKHORST:** We would not know until we tried. As I suggested earlier, it would be a far more intensive finer scale study. The results might be interesting. It might be for the metropolitan areas that it might show a different effect and maybe the smaller areas are more appropriate, I do not know.

**CHAIR:** Do you have any opinion or view on this proposal for super councils in the Eastern suburbs and inner west?

**Professor BRUNCKHORST:** I would stick by our principles and say it does not matter whether it is a super council or a medium or small council, it has to be in the right place, the boundaries have to be in the right place for the best representation of the area of interest to the local residents. If that turns out to be a large area that means a super council that would be best, but if not, if it is saying a smaller area then that is probably what it should be.

**Ms HALE:** On your map most of the other centres show a fairly deep concentration of colour but if you look at Maclean and Grafton they seem a bit washed out. What does that reflect?

**Professor BRUNCKHORST:** A smaller population.

**CHAIR:** Is it just smaller population or is it more almost homogenous population in Maclean and Grafton similar to the western town on the other side of the Divide, if you are going to compare that to areas to the north? Is it more of a community of interest of, dare I say, a more conservative demographic or traditional demographic?

**Professor BRUNCKHORST:** It could be. Those questions were not really covered in our survey to tease those kinds of things out. The Maclean-Grafton area is not quite but more or less a pristine waters council. The other point to note is that some of the former shire boundaries like Nymboida used to come up and take in a bit of Ebor, which was quite silly, and I think the pristine waters one still does but it is just an amalgamation of existing boundaries. A silly little aside perhaps but the name is important, and if we could go ahead and reform the whole State and put into place something that is world leading then the names should reflect the community's identity with the place, they should not be the names of the local areas. It is silly to have Armidale-Dumaresq; it should be the Four Seasons shire or something.

**The Hon. HENRY TSANG:** How do the State and Federal electoral boundaries fit into the demography of your map? Is there any correlation?

**Professor BRUNCKHORST:** Not that I know of.

**The Hon. HENRY TSANG:** The local government boundary through there is all over the place.

**Professor BRUNCKHORST:** It is not reflected in this at all, but it could be relevant to electoral reform.

**Ms HALE:** If you do work on the assumption of one vote, one value, there could be great disparity in the size, could there not, in terms of population in these regions?

**Professor BRUNCKHORST:** Yes, that is true.

**The Hon. RICHARD COLLESS:** Maybe this process is a process that is preferable to one vote, one value, insofar as it puts communities together rather than numbers of people.

(Document tabled)

**(The witness withdrew)**

**BARRY CAMPBELL JOHNSTON**, Mayor, Inverell Shire Council, of 10 May Street, Inverell, affirmed and examined, and

**PAUL JOSEPH HENRY**, General Manager, Inverell Shire Council, of 15 Anderson Street, Inverell, sworn and examined:

**CHAIR:** Mr Johnston, are you conversant with the terms of reference of this inquiry?

**Mr JOHNSTON:** I have them in front of me. I have not read them before, but I am fairly conversant with the intent of the inquiry.

**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 JOHNSTON:** Thank you.

**CHAIR:** Mr Henry, are you conversant with the terms of reference of this inquiry?

**Mr HENRY:** Yes, 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.

**Mr HENRY:** Thank you.

**CHAIR:** Could I ask if either or both of you would like to make a brief opening statement?

**Mr JOHNSTON:** Thank you very much, Mr Chairman and members of the Committee. I understand that you have a copy of the document that we submitted. If I could just add briefly to that, our council strongly supports the process of structural reform of local government. It is obviously quite some time since there was reform of local government. The most recent changes would have been the rewriting of the Local Government Act back in the early 1990s and I guess in structural reform probably back in the early 1980s. Immediately prior to that Inverell Shire Council was formed from an amalgamation of three councils, so we are familiar with the process that has been adopted in the past.

In more recent times Inverell shire has had a policy of support for structural reform and, without wanting to echo the intent of the submission that you have just heard in detail from Mr Brunckhorst, a lot of our views would in fact support those thoughts for achieving local government boundaries. We have a strong view that community of interest is paramount to have an effective local government as well as, of course, the other functions of local government that I could possibly address in a slightly different way. So we believe that this process that has been commenced by the Minister should not only look at boundaries, it should also look at the operation and structural aspects.

I notice that one of your terms of reference is the relationship between State and local government. I am quite sure that I represent the views of our council that local government should be the local provider of a wider range of services than they have been in the past. In fact, I suppose it would be fair to say that there has tended to be a centralisation of service or, should I say, policy determination and some issues have been passed out to local government and/or other organisations for service delivery where our model indicates that, if the boundaries in the structure of local government were correct, those services could best be provided at the local level. Some of the issues that I am sure would be regarded as controversial in other circles are things such as weed control, which is done currently by county councils. I believe that, with a closer relationship to those boundaries that we indicated based on communities of interest around a major economic centre, those functions could be carried out by the general purpose council. Rural lands protection boards are other organisations that I believe provide some element of duplication in administration. If you had a structure where the partnership between local government and State Government related to service delivery, those issues could be managed by a competent council by having directorships, as we do in our current structure, with a wider range of duties. What I feel is that local government, if it is sufficiently well restructured so that it can be an effective and efficient

supplier of services, should be able to take on a greater responsibility and provide a better service delivery model to the community.

As I mentioned, the operational aspect of local government within the council, with directors and a committee structure related to particular facets of the council organisation, is a very workable model. From management level, we propose - and I am sure Mr Henry will talk about it - a place management model where staff responsibilities are decentralised with responsibility back to the central body. In other words, it does not all have to happen under the one roof. It also gives some feeling of local ownership to the various smaller communities throughout the rural areas, which a lot of people believe have been neglected over past years. I think that, in our particular case, we have encouraged those local areas to have more ownership and more involvement in what happens in their particular areas.

The other part of our submission to you talks about the relationship, operational issues and such things as the council's charter. We believe that that would have to revolve around effective and efficient service delivery and there are a number of models around the world - maybe in other States or other countries - that have a different view of the council charter and perhaps your inquiry could study those issues, which could also be expanded by Mr Henry, if you wish.

In the internal structure, we think the election of the mayor should be by the council, from the council membership. There are obviously different views on that. Some people feel that popular election of the mayor gives the opportunity for the whole community to decide, but it also locks them into that person for four years, and it could be said - I hope present company excepted - that maybe that person might be a popular person but not necessarily a provider of good governance. I do not really know the make-up of your inquiry, except for Mr Colless, who I have known for many years.

**CHAIR:** Inverell Council at the present time has a selected mayor by the council?

**Mr JOHNSTON:** Yes, and that has been since the inception of Inverell Shire Council.

**The Hon. IAN WEST:** Of course, we have Kayee Griffin, the popularly elected mayor of Canterbury.

**Mr JOHNSTON:** Let me assure you there is no offence intended.

The other operational issue that is important to council is remuneration. As was said in answer to one of your questions earlier, the world has moved on where many things were done by volunteers, which I think is a wonderful ethic and, whilst there has been a revival of the feeling that volunteers can do something properly in Australia since the Olympics, it is fair to say that in the bush I think it has always been happening. I have lived there all my life. I think the time has come that, if you really want to attract competent people to better manage a larger area without flooding it with numbers of people who are there for the sake of providing their opinion, we have to have the opportunity for remuneration that more adequately reflects the cost and time of full acceptance of that responsibility.

When we come to funding arrangements and issues related to amalgamation, it is an issue that probably has not been fairly addressed by the Government and, having been through the 1979 amalgamation of Inverell shire, it takes some years for the long-term benefits to show to a local government area. I believe they are there, they are very strong and, given more time, we could identify a lot of those benefits to you, but in the short term there are costs that need to be met and the sooner they are met the sooner you will get the long-term benefits. It would be appropriate if there was some funding arrangement entered into in partnership or better partnership with the State Government. It would also give some incentive because people, quite predictably, often look at the wrong side first and that is the short-term costs rather than the long-term gains. Whilst that would be difficult to quantify, I am sure that it could be quantified because there is certainly a need for restructuring when an amalgamation takes place.

The issue of unfunded mandates, certainly gets a fair bit of discussion in any local government conference I have been to but there have been a number of issues introduced by the State Government that have added to costs to local government that are not recoverable in the face of rate pegging but also may not necessarily be a cost that should be picked up solely by the ratepayers. One of the issues fairly strong in the mind of our council is certainly fire protection, prevention and control in not only the Rural Fire Service but the New South Wales Fire Brigade where everyone recognises the service needs to be very efficient and well-organised but, if I can use an old term, I think really the horse has bolted as far as setting up an empire rather

than looking at the issue and that is something that local government has virtually little or no control over the cost of the contribution they have to make to their fair share of those services.

**CHAIR:** I am sorry, but I am mindful of the time.

**Mr JOHNSTON:** I have only got a couple more points to make, if I may. Other things were things like the crime prevention strategy that is being encouraged for the adoption of the Parental Responsibility Act introduced into the local government area; you need to go through a lengthy process of developing a crime prevention strategy, which would be cumbersome and costly. To come back to the issue that you obviously have had a very detailed presentation by Professor Brunckhorst and basically we believe that we have had a practical application of those guidelines and we didn't hear of his proposal until about six months ago but Inverell Shire, a few years ago, did a similar study through the business houses as to where people originate from that do businesses in Inverell and require services from Inverell.

It is fair to say to decide where a council boundary should go is sometimes driven by a gut feeling as to where the economies of scale can be stretched out to before they become diseconomies of scale through distance and the breakdown of the management process. The position we have come to recently is that we believe that the community of interest in our area also relates to the natural resource management boundaries but on a topographical and geographical basis we believe – and I do not want to echo all the words that were previously given to you – local government representation down the tablelands, one or two or whatever the appropriate number of councils probably on that model would go from Walcha to Tenterfield. In our area we believe that our community of interest covers the north-west slopes and that would ultimately take in from 20 or 30 kilometres north of Barraba to the Queensland border in that once you come off the tablelands and before you get to the plains the country starts to flatten out and you have then got almost a different bioregion but certainly different topography in the flatter area of the New South Wales part of those two catchments, the border rivers catchments and the Gwydir.

There are three things that we need to map, an economic footprint, you need to test the social cohesion by testing that community of interest and you test the financial robustness and sustainability, which really is the long-term effective – and I stress effective – supply of services to the community. Thank you, I have probably taken a bit longer than I was allowed.

**CHAIR:** You have, and we are without time, but we will stretch it a little. I understand you had a 1979 experience on amalgamation in your area. Can you enlighten the Committee on the real costs of movement, appreciating of course that times have changed and technology would facilitate more adaptability? Could you give some indication of the real costs attached to amalgamation or a restructure?

**Mr JOHNSTON:** I certainly could not give it in dollar terms but in principle it meant that there were three councils, there was a municipal council of Inverell with a town of 10,000, there was a rural council surrounding Inverell with its headquarters in Inverell and there was a rural council to the north with its headquarters in Ashford. There were costs in relocating staff, there were costs to staff that have probably now been covered by legislation and not necessarily in the appropriate way because I think forcing an employer to employ someone that they do not really feel they can put in the right place is not going to be the best thing for either party, with respect. Also there was the relocation of the administrative section and what we did was decide early in the piece that operating out of a number of buildings, which in the beginning was three for administration and probably five for the works crew, would never work. Although that is a model that has been promoted by other councils in other areas I can assure you from seven or eight years of experience it will never work. It creates divisions between the staff and empire building within sections of the staff. The best thing we did was to rebuild a new administrative centre that had the capacity to slightly over provide for the needs of that day. I am saying it would be adequate for some expansion now with a different place management model; and we also rehoused the outdoor staff, we rebuilt depots in Inverell and Ashford, where we need a satellite operation.

In the event of another amalgamation that might tip our ultimate preferred model, some of those needs would not be necessary so they may not necessarily come around at this time because we do you believe in that place management model where you would have people in those other towns with a level of responsibility but with quick and direct communication back to the managerial level. The main costs were rationalisation of administration, outdoor staff and then plant.



**CHAIR:** You mentioned duplication with the RLPBs and I would have thought there would be a close relationship between then and a council in your area. Does the same apply to the Regional Organisation of Councils? Do you see that as duplicating or do you see that as a function of the ROC with smaller councils like yourselves?

**Mr JOHNSTON:** What happened with the ROC in our area, the original NAROC had 19 councils and covered a landmass that was bigger than shown on the earlier presentation and it fell apart because of the lack of community of interest. We believe the ROC would suffer the diseconomies of scale and the lack of community of interest and actual managerial communications whereas with the community of interest and the base that we talk about we believe there is sufficient need in there. As far as the RLP Boards are concerned within the ROC there would be at least four, probably five RLPBs even though there has been some minor rationalisation in RLP Boards in the last 20 years. I believe that if you had within that ROC instead of 19 councils – and this is right of the top of my head and hasn't been made public before by me – probably about six councils, may be seven they could carry out the same functions.

**CHAIR:** So a smaller unit, still bridging a number of councils?

**Mr JOHNSTON:** That is right. The duplication is in administration, which could be easily done with probably a sub-directorship of one of our current directors but also electronic capacity and inspectorial role – there is inspectors who check on weeds, inspectors who check on straying stock, feral animals and roads and all sorts of other things. With the multi-skilling capacity that is available now I think you can do away with duplication, which we can't afford.

**The Hon. IAN WEST:** Following on from that and for the Committee's amplification, the geography of the border river and the Gwydir catchments, in terms of the community of interest, can you explain where NAROC overlaps that?

**Mr JOHNSTON:** NAROC takes in pretty much the whole of the catchment of the Peel and the Namoi as well as the Gwydir and the New South Wales part of the border rivers. NAROC comes down to the Liverpool Ranges and goes out to the Nandewars.

**The Hon. RICHARD COLLESS:** It took in Quirindi council but not Murrurundi?

**Mr JOHNSTON:** Yes.

**The Hon. IAN WEST:** When did the community of interest wane in terms of the two catchments versus the NAROC, the 19 councils?

**Mr JOHNSTON:** There's a range that goes from south of Armidale out above Barraba and goes to Kaputar and appears to be a natural barrier. Without wanting to answer questions you asked the previous speaker about why does Walcha go to Armidale instead of Tamworth, the Moonbi Ranges are just a mental barrier, it just happens that way, its traditional. Also you have those plateaus and that's why we believe where you get up on the tablelands, different community of interest to the slopes. Ask the Mayor of the Moree they are different than the people on the plains – so he tells us. The catchment goes across because they go east west.

**The Hon. IAN WEST:** They are a fairly intrinsic border in terms of community of interest?

**Mr JOHNSTON:** They are and Inverell Shire current boundaries exist go across both those catchments anyhow. What we are saying is that if you go to that western edge of our catchment, our natural community of interest catchment, it then includes the Horton River and that area that comes back just north of Barraba, which is all part of the Gwydir catchment.

**The Hon. KAYEE GRIFFIN:** I was interested in comments you made when you started your submission in relation to county councils, weeds and other organisations and you said you felt that the council could probably do what the county council does having people as directors, some sort of board. Could you expand on your thinking on that?

**Mr JOHNSTON:** I believe that we should be responsible for natural resources management and that would include weeds, which are a natural resource issue rather than a weeds issue in my view and I think some of the other RLP functions are natural resource issues like pest control and there is an element of land

management in there. I believe that could be covered with a director, with natural resource management skills, training and background, with staff under him, answerable to the general manager. Currently we have a director of technical services commonly known as the shire engineer who is responsible for all the work and he has to direct it and he has a budget for which is responsible to the general manager; we have a director of corporate services, which is finances, investments, libraries and those community effects; and we have a director of planning and development.

**The Hon. KAYEE GRIFFIN:** I think I misunderstood you when you said "director".

**Mr JOHNSTON:** A director answerable to the general manager. The committee system is that we have currently three standing committees that basically address the functions of those three directors. If NRM was and could well be a separate directorship it would need a committee elected not necessarily from the council but by expressions of community interest from the wider community of people with special skills. This is probably not the right forum to promote this view but I have been promoting it in another forum at every opportunity.

**The Hon. KAYEE GRIFFIN:** I was concerned about some issues coming back to the council and the financial responsibility council then has to take, and you have explained what you meant.

**Mr JOHNSTON:** Well, I think the part that I did not talk about in the partnership between State and local government is that I think it is fair to say that, if local government is restructured and takes on more responsibility, it obviously needs access to some level of the central taxation pool. That is going to be the political issue that has to be addressed between State and Federal Government, which might work out in the long term, but does not seem to always work out very quickly.

**The Hon. RICHARD COLLESS:** Mr Henry, would you like to give us your views on the difference between reform in local government and boundary adjustment?

**Mr HENRY:** Reform to me means that you address the whole range of issues about how you do your business, not just the organisational arrangements that underpin the structural processes and relationships that are essential in ensuring good local government. In our submissions we have highlighted a number of issues that need to be addressed at an operational level, but also issues that impact on the relationship between State and local government, and so to me structural reform means looking at the total scope of the way local business operates whereas I think that the debate that has gone on in local government has just tended to focus on the organisational arrangements that really, if you do the review process properly, would be the end of the continuum and you should concern yourself with that later down the track.

**The Hon. RICHARD COLLESS:** Does it concern you that the way this current process has been implemented it has probably degraded, in some ways, to a turf war over boundaries, and how do you see that it could have been better managed?

**Mr HENRY:** I agree, I think that it has caused a lot of ill-feeling and division because at the end of the day the people who are involved in these turf wars are going to be the ones that really need to work together to put together any structural reform that is necessary. As to how it might have been able to be achieved better, I think that a far-ranging inquiry into all aspects of local government would have been preferable. I think that a very clear mapping exercise, about which you have already heard an address earlier, would have been far preferable because it would have given a very clear guideline as to the basis of mapping local government boundaries and had a far better basis than what has currently happened now where people have just been putting in bids with really no significant basis.

**The Hon. RICHARD COLLESS:** What about the geographic size? That is an issue that has been raised with us by a number of different councils around the State and the concern is obviously that, as you get bigger and bigger, you lose the "local" out of local government. Do you see that there is a danger of that happening where we have too many bigger councils getting together on existing boundaries rather than some logical basis for a new boundary structure as we heard previously?

**Mr HENRY:** Yes, it is a real danger. One of the requirements, I believe, of local government is that they engage and consult the communities they are supposed to service and certainly a very, very large council area would present certain difficulties. There are certain intellectual capacities that reside within a central headquarters of a local government unit, even though you might have in place a place management scheme of

delivering services, and I think that, when that certain intellectual capacity needs to go out and engage the community, travel times do need to be considered, just as a rule of thumb, I would have thought, that an hour and a half travelling out to the extremities of a shire and an hour and a half back might indicate that that should be the extent of your boundary, but, as I say, that is just a gut feeling, I do not have any view.

**The Hon. RICHARD COLLESS:** That probably in some ways, whether it is an hour and a half or whatever, reflects the sort of work that Professor Brunckhorst has been doing anyway, does it not, about where people naturally gravitate to?

**Mr HENRY:** That is correct, and I think the point our mayor made earlier that our view that was expressed to the Minister on the 31 August deadline process seemed to mirror I think level 2 of Professor Brunckhorst's mapping of Inverell's boundaries.

**The Hon. CHARLIE LYNN:** One of the criticisms or comments we have heard from a lot of people has been that we went into this inquiry without any guidelines. Do you think that we have put the cart before the horse in this sort of approach and that perhaps we, as a Committee looking at reform and all the implications of boundary adjustments and so forth, perhaps should have had global presentations such as we just received from the Institute of Rural Affairs from a similar body in urban and regional affairs and then would have been able to go out to the wider community and question them along those lines to find out where the turf wars were and to get them perhaps to elevate their vision and create more of a practical desire for reform?

**Mr HENRY:** That may have been a preferable approach, but I can also understand what the Government has done. It has certainly tried to engage the councils in the reform process and ask basically what do they want? Unfortunately, it has led to probably an unholy scramble in some cases. I think it is a difficult thing, local government reform, and perhaps a clear set of guidelines might have focused the attention of councils better than what has happened to date.

**The Hon. CHARLIE LYNN:** You sat through the briefing we had from Professor Brunckhorst. What is your view on the need for reform, if we are going to tackle reform. We are either going to tackle it or we are going to tinker with it.

**Mr JOHNSTON:** I believe it should be tackled and I believe it should be tackled in a serious way and it should be tackled now because, if you put it off, all you are going to do is have another scramble for position further down the track and all the bad feeling between those councils that may feel they are under threat or feel that they have a predator looking over their shoulder, and it is the same thing I guess, but I think one of the things that probably led - and I cannot say what made the Government do what it did except that they have been saying for a number of years that they believed there was a need for reform. Maybe they should have put the investigation package in earlier, years ago, but I think that they were saying to local government: For goodness' sake, you've been told long enough, you should have looked at yourself. With the greatest respect, I think a lot of the councils have not taken the view that we have, and that is not because we are the only ones that have taken it; I know there are others that have. What I was going to say is that I think they have just hidden from it, put their heads in the sand and said leave us alone, we're fine, but the reality is that the world has been moving around them.

**Ms HALE:** I think Inverell went through a process of amalgamation in 1979.

**Mr JOHNSTON:** Yes.

**Ms HALE:** One of the fears that has been consistently expressed to the Committee is that the loss of smaller councils will inevitably lead to a loss of employment and have a flow-on effect in terms of schools, health services and so on.

**Mr JOHNSTON:** Yes.

**Ms HALE:** You were saying that in 1979 you were able to do it and it presumably has led to long-term benefits, but the economic background was different 25 years ago to what it is now and amalgamations now could have more serious social repercussions than it might have had then.

**Mr JOHNSTON:** Well, I think that is probably something that Mr Henry could also answer on the model of delivering services because the services that are being provided by those particular other councils still

have to be supplied. They may be supplied more effectively. I am not saying that the other councils are not efficient within the size of their operation, I think it would be Mr Henry's role to reflect on the changes in management, but the actual grassroots delivery of services to the community I still believe is being done more effectively and I think we all have a responsibility to be as effective as we can with limited dollars because rural areas have been on the decline, but there is still a feeling out there that they deserve the same level of services as their counterparts in other areas, and I think local government will always strive to do that. It has to do it in the best possible way. Councils are very conscious of the need for continuing employment but, sadly, I do not think it is a council's primary role to prop up a local economy if in fact it is not being supported by the local community and if the local community are in fact taking their business somewhere else I do not think council can recreate that business activity. As far as services are concerned, they would need to be provided on a decentralised basis.

**Ms HALE:** I think the view that has been put to us is that councils often provide a form of intellectual leadership and schools remain in areas because there is a level of employment and, if that employment goes, the services will go with it. There will be fewer people there and therefore their ability to attract hospitals and those sorts of services will also decline.

**Mr JOHNSTON:** I can assure you that that has been said to me many times by the people from Ashford, and it still is by some, and in the short term that did happen. Unfortunately, the greatest decline in Ashford was from other causes. I am not offering that as an excuse because there was some movement, but the workforce in Ashford is still similar and in fact the resources are better utilised out there and the services provided to the Ashford community are better than they were. I can assure you, I am on oath and I do not resile from the fact that services are better than they were there. The intellectual capital is an issue and I think it is for Mr Henry to talk about the place-management model.

**Mr HENRY:** Back in the 1970s the thinking was that every function of a council had to be centralised in a particular location. Well, I think that thinking has now moved on and recognised the need to have a place management philosophy in place where there is a certain level of intellectual capacity retained in the outlying areas. I think that the management techniques that a council might employ would now be certainly more mindful of the need to protect those three key issues about providing employment, underpinning a community identity and ensuring appropriate representation for those areas, so I think that things have changed since the 1970s and perhaps those people who are promoting the view that if you lose your council headquarters you naturally suffer a diminution in those three areas - that is not necessarily a guaranteed outcome if the management of the council really thinks through those three issues and puts in place processes and techniques that can help mitigate adverse impacts.

**Ms HALE:** If I understood you correctly, you were saying that when NAROC was set up there were 18 or 19 councillors, but there was not that community of interest because of geographical influences and whatever. Do you think there would be an argument that, as a regional organisation of councils, it could be a very positive structure if it was reorganised in a way that more adequately reflected the communities of interest?

**Mr JOHNSTON:** What has happened to NAROC in recent times is that it has split into virtually three subsections, one on the tablelands called NELGG (New England Local Government Group); there is the Namoi Group, which is across the southern end, and to be honest, there is the rest. They all have, without being too critical, limited recognition and limited achievement levels and I think that with restructuring of local government to a better size each unit would be more effective because it would focus on its own interests. There would be nothing wrong with an overarching group, even in the northern area, because geographically once you go over the Murrurundi Range it becomes what we regard as the north of the State and there would be some common interests, but, like Professor Brunckhorst's model, they would be at a different level from the day-to-day general purpose responsibilities of council.

**Ms HALE:** In terms of joint buying/purchasing power, assistance with drawing up local environmental plans, models thereof or even purchasing of equipment, supplies, do you think there would be an enhanced role for the ROCs that would be feasible?

**Mr JOHNSTON:** It comes to the issue of diseconomies of scale and distance and again that is an issue that Mr Henry and I have discussed and I think his comment would be more pertinent because it is predominantly at a managerial level. Policy-wise it sounds good but in practical terms it does not always work.

**CHAIR:** Mr Henry, perhaps you could have the last word, if you would like?

**Mr HENRY:** There are real problems associated with resource sharing, which is what I think you are referring to, and managing it because you really cannot achieve a significant number of benefits from trying to share graders and other plant items over a very large area because generally if it rains in a particular area and it is best that you go out there and grade without having to use additional water carts and rollers to get a better surface, each area will want to use a grader at the same time. Some of the quoted benefits of resource sharing in practice really are not achievable.

**(The witnesses withdrew)**

**(The Committee adjourned at 12.15 p.m.)**