



David Shoebridge MLC
Member of the NSW Legislative Council

The Greens NSW
Submission
25 March 2013

Greens NSW Submission

RE: Better, Stronger Local Government. The Case for Sustainable Change

Dear Independent Local Government Review Panel,

Thank you for the opportunity to again engage with the work of the Independent Local Government Review Panel. This submission follows our earlier submission and also a face-to-face meeting between the Review Panel and myself as Greens NSW Local Government spokesperson.

The Greens NSW are strong supporters of local democracy. We believe that at the heart of local government should be strong vibrant councils, led by elected representatives of their local community, whose prime focus should be delivering quality services, decisions and infrastructure to shape their local areas. To that end it is residents who must have the right to determine what occurs in their local community, especially in terms of planning, development and service delivery.

For too long NSW state governments have prioritised the needs of big business, especially property developers, over the needs and wishes of local communities. The unpopularity of the former Labor government's changes to the state's planning laws – namely the notorious Part 3A – should be indicative of how the community reacts when government's take executive control of what should be local democratic decisions.

On top of this, the planning and local government regime under the former Labor government saw opaque planning laws facilitating local corruption¹ and an untold number of unwanted – and clearly not state significant – developments being forced on local areas. This produced significant community opposition and detriment to both the environment and character of local government areas across NSW.

This loss of local autonomy, loss of local democratic control and ultimately loss of legitimacy is a case study in how not to do reform.

Thus it is with dismay, but no surprise, that the Independent Local Government Review Panel's November 2012 Paper: Better, Stronger Local Government: the Case for Sustainable Change² proposes less local democracy and begins to mount an argument for forced local government amalgamations in NSW. To date, the benefits of local autonomy, local democracy and local legitimacy risk being lost in a broader (and largely undocumented) claim that larger councils make for more efficient decision making.

There is the equally troubling case being made for organisational change in local government, through larger councils and executive management. Implicit in the argument in the Review Paper is the assumption that ordinary residents, drawn from a range of occupations, are not up to the

¹ ICAC report: Taking the devil out of development – December 2002

² Better, Stronger Local Government. The Case for Sustainable Change (November 2012)



David Shoebridge MLC
Member of the NSW Legislative Council

**The Greens NSW
Submission
15 February 2013**

job of being councillors.³ The argument is that moving to an executive model and increasing remuneration of councillors will improve the “quality” of councillors. This argument is flawed.

As democratic bodies councils should be made up of people from a cross section of the community that reflects the make up their residents. The best way to engage a committed group of residents in council is to give councils fiscal autonomy: allow them to determine their own rates, conceive of their own projects and then have them all vigorously tested at elections.

The Review Paper produced by the Panel, like the preceding Strengthening Your Community Consultation Paper (July 2012) fails to challenge the unwarranted preconception of the present administration in NSW (and News Ltd Publications) that local government across NSW is broken and needs comprehensive reform.

It is the natural temptation of every review panel to seek to make its mark and produce generational reform. However this natural inclination must be moderated by close attention to the evidence and a careful review of the ideological content of those pushing for such reform.

It is understandable that organisations like the Property Council of Australia will push for less local control and far greater conformity in local councils. For them this is best achieved by having fewer local councils with whom to deal. However the evidence from the great bulk of reviews of past local government amalgamations is that amalgamations do not produce greater efficiency, do not produce more principled decision making and do not produce greater fiscal autonomy. This evidence must not be ignored in the panel’s deliberations.

In the absence of structured request for feedback on the Review Panel's position Paper, this submission from the Greens NSW in this submission will focus on:

- A. Misconceptions regarding amalgamations**
- B. Local Councils: already working together, and**
- C. Functional local councils: state government responsibilities**

Thank you again for the opportunity to make this submission. Please do not hesitate to contact my office at david.shoebridge@parliament.nsw.gov.au or (02) 9230 300 if you have any questions regarding this submission.

Regards,

David Shoebridge
Greens NSW MP
Local Government spokesperson

³ Better, Stronger Local Government. The Case for Sustainable Change (November 2012) – pp 32 - 36



A. MISCONCEPTIONS REGARDING AMALGAMATIONS

The Paper produced by the Local Government Review Panel makes an argument for considerable reform to the system of local government. The changes foreshadowed include changes to the Local Government Act⁴ and amalgamations with 'significant consolidation'⁵ across Sydney, metropolitan and regional councils.

The Paper discusses streamlining service levels in councils for greater efficiency, productivity and competitiveness of NSW Councils. The paper focusses on service delivery capacity of Councils and the backlog of infrastructure. Removing barriers to voluntary boundary changes are put forward as a solution to 'increase the capacity of the system to build stronger communities'.⁶

The Panel suggests 'economies of scale' can address the perceived deficiencies in local government⁷ and suggests that many councils may be 'viable' but are not 'sustainable'. The suggestion is amalgamations will make councils viable for the long term future.

However, research papers by academics in the field and commissioned reports on previous amalgamations continually recommend against amalgamations.⁸ The Allan Report, for example, rejected council amalgamations, stating:

"The Local Government Inquiry examined the considerable research into whether council mergers would result in greater cost efficiencies. It found that the evidence was inconclusive, except perhaps for the smallest councils (i.e. under 8,000 in rural areas. Yet in those cases other factors better explained higher costs per resident, especially low population density in remote areas. For those activities that might be more economical to operate on a larger scale, service sharing, joint processing and external resourcing might be a more targeted way to realise savings than amalgamating the entire operations of councils within a region."⁹

The recent Queensland Council amalgamations are often put forward by those supporting amalgamations in NSW Councils. Major reform was undertaken in Queensland in 2010 and super-councils created. The argument of economies-of-scale underpinned these amalgamations yet convincing results are yet to be proven.

In ballots held in March 2013 an overwhelming majority of local residents in four former local council areas, namely Noosa, Livingstone, Mareeba and Douglas shires demanded an immediate split from the new super councils. Every community that has been asked in Queensland has

⁴ Local Governments Acts Taskforce. Better Local Stronger Government: The Case for sustainable Change', November 2012 . p.6.

⁵ Better Local stronger Government: The Case for sustainable Change', November 2012. P.5

⁶ Ibid

⁷ Working Paper' series 01-2010. Historical Evolution Local Government Amalgamation, Tasmania and South Australia. Centre for Local Government UNE, March 2010.

⁸ Ibid. p. 35

⁹ Allan report 2006, <http://www.lgsa.org.au/sites/lgsa.org.au/files/imce-uploads/35/final-report-findings-and-recommendations.pdf>



opposed the model of larger super councils. Those communities have not seen any efficiency dividends from the new super-councils.

There is a significant body of academic critical analysis of the Queensland forced merger process. In particular there was strong criticism of the failure of the Queensland government to consider alternatives to amalgamation and the benefits that alternative models had in promoting local democracy. As Dollery, Ho and Alin noted in their paper “No Lessons Learned: A Critique of the Queensland Local Government Reform Commission Final Report”:

“... most alternatives to amalgamation are premised on the notion of retaining local democracy and local choice while at the same time combining those functions that exhibit significant scale economies, scope economies and other efficiency-enhancing attributes. In other words, the whole thrust of these models is to preserve local autonomy without any trade-offs associated with the size of the organisation.”¹⁰

Councils in NSW are already taking a stand against the anticipated amalgamations and have made statements to their communities against such proposals.¹¹ This opposition will grow if forced mergers are proposed and history suggests that the people most effected, namely residents, will not support such changes.

Local communities have good reason to suspicious of the alleged benefits from amalgamations. A comprehensive New Zealand study of the efficiency improvements from their local council amalgamation process found that larger councils tended to produce less efficient results.¹² That comprehensive longitudinal study of the efficiency of road maintenance works by local councils before and after amalgamations found that:

“Contrary to expectations, the NDRS/DRS results suggest decreasing returns to scale, especially with an output orientation. ... In fact, the bulk of small to medium TLAs [local councils] appear to have organised their systems as efficient configurations.”¹³

The NZ experience is that larger councils in fact produce less efficient outcomes:

“In summary, Table 5 suggests that amalgamation may have actually increased scale diseconomies through the creation of larger authorities experiencing decreasing returns to scale.”¹⁴

History shows that councils across Australia have been previously amalgamated with no great improvements to efficiency or infrastructure.¹⁵ Previous amalgamations have resulted in local

¹⁰ Agenda Volume 15, Number 1, 2008

¹¹ <http://www.strathfield.nsw.gov.au/news-and-events/media/media-releases-2013/mayor-of-strathfield-moves-to-resist-state-government-s-amalgamation-push/>

¹² Local government amalgamation policy: A highway maintenance evaluation, Rouse and Putterill, Management Accounting Research 16 (2005) 438–463

¹³ Rouse and Putterill – p 454

¹⁴ Rouse and Putterill – p 454



communities who feel less represented with a lesser voice because of reduced political representation with the reduction of local government councillors.

Any amalgamations undertaken in NSW should only be considered if they are voluntary. Research supports that the most successful amalgamations are locally driven by communities and not forced by the state.¹⁶ This is supported by many studies based on previous amalgamations^{17 18} and the history of amalgamations in NSW.¹⁹

By reviewing the history of amalgamations in the context of economy of scale and community engagement, the research shows that economies of scale do not lead to more efficient councils with greater service levels. It also highlights that councils' priority is to the community and effective representation cannot always be realized by rationalizing economies.

Studies have additionally demonstrated that many of the major amalgamations have experienced problems and the anticipated economies of scale for service provision were not delivered²⁰. Because of smaller populations, residents in the rural areas often felt they had lost their political voice and level of representation. Economies of scale were less than anticipated and in many cases entirely fictional.²¹

It is disappointing that no mention was made in the Paper by the Panel of the potential loss of local democracy or the loss of local representation from voluntary mergers.²²

Further, NSW Council areas have distinct communities from regional areas, coastal areas and the many metropolitan areas that encompass distinct localities. This is as true of metropolitan Sydney as it is of regional NSW.

The diversity in councils across NSW addresses the differing demands of these communities. Reducing council numbers could effectively leave many communities voiceless if larger urban and region based councils are mandated.

The connection between local residents and locally elected councillors underpins the democratic representation at the local government level. A certain outcome of amalgamated councils is much less representation of residents and less accessible councillors who will have much broader electorates to represent.

¹⁵ Working Paper' series 03-2010. Historical Evolution Local Government Amalgamation, Tasmania and South Australia. Centre for Local Government UNE, March 2010 , p.35.

¹⁶ Working Paper' Series 01-2010 & 03-2010 Local Government Amalgamation in New South Wales, Ian Tiley and Brian Dollery, Centre for Local Government, UNE, April 2010

¹⁷<http://www.lgsa.org.au/sites/lgsa.org.au/files/imce-uploads/35/final-report-findings-and-recommendations.pdf>

¹⁸ Kiss, 2003 in Tiley and Dollery 2010.

¹⁹ Working Paper' series 01-2010. Historical Evolution Local Government Amalgamation, Tasmania and South Australia. Centre for Local Government UNE, March 2010 , p.35.

²⁰ Working Paper' Series- 01-2010, 03-2010 Local Government Amalgamation in New South Wales, Ian Tiley and Brian Dollery, Centre for Local Government, UNE, April 2010.

²¹ Working Paper' series 03-2010 Local Government Amalgamation in New South Wales, Ian Tiley and Brian Dollery, Centre for Local Government, UNE, April 2010

²² *ibid*



David Shoebridge MLC
Member of the NSW Legislative Council

**The Greens NSW
Submission
15 February 2013**

Finally there are strong management-based arguments to oppose ever-larger councils. Not only do large councils create a loss of local identity, felt in democratic representation, but they can also have an adverse impact on resource allocation.

It is a basic principle of resource allocation that the size of a government should ideally reflect the area that benefits from the goods it provides to its constituents. Previous attempts at forced amalgamations have failed to consider this. As Dollery, Ho and Alin note in their paper “No Lessons Learned: A Critique of the Queensland Local Government Reform Commission Final Report”:

“...if local preferences determine the composition of local service provision, then welfare gains accrue to society because preferences are never spatially uniform. Local service provision should thus be decided at the local level, implying the retention of small local councils, at least insofar as deciding the composition of local services.”²³

This academic position is supported by the evidence. A comprehensive review of council amalgamations is discussed in a paper from University of New England’s Local Government Centre²⁴ which again rejects the ‘economies of scale’ argument and suggests this approach has not been successful and does not fully appreciate the representative nature of local government.²⁵

Put simply the Greens reject the economies of scale argument and we do so on the sound foundation that the best evidence does not support it. It is a position which we would urge upon the Review Panel.

²³ Agenda Volume 15, Number 1, 2008

²⁴ Working Paper’ Series 01-2010 & 03-2010 Local Government Amalgamation in New South Wales, Ian Tiley and Brian Dollery, Centre for Local Government, UNE, April 2010

²⁵ Allan report 2006, <http://www.lgsa.org.au/sites/lgsa.org.au/files/imce-uploads/35/final-report-findings-and-recommendations.pdf>



B. LOCAL COUNCILS: ALREADY WORKING TOGETHER

The Review Paper suggest that councils are currently under-performing and are not efficient at dealing with the task of maintaining infrastructure, particularly the backlog of infrastructure. It is suggested 'innovation and improvement' rather than 'compliance' will lead to better performance in councils.²⁶

The Review Paper's focus on efficiency and changes to the existing council structures and governance is at the expense of exploring opportunities of greater capacity building with existing structures and community involvement. Unfortunately the Panel has given too little consideration to recent reforms in the local government sector and ways in which councils already work together to achieve efficiencies and better outcomes for their communities.

The reality is that there has been a strong movement for reform to improve efficiency and service delivery in the local government sector in the last decade. This includes Integrated Strategic Planning (ISP) and collaborative service sharing arrangements between councils.

In 2006 the state government introduced a legislative framework for asset management planning, to improve accountability and transparency. The new system, ISP, introduced standard reporting requirements. The goal of this new system was to ensure the best outcome for social, economic and environmental outcomes with a commitment by councils to engage the community and report back to the state government.

Community consultation is a key factor in ISP and councils are required to prepare community strategic plans every ten years in consultation with their local community. ISP already promotes compliance with planning instruments, infrastructure development, regulation and service delivery provided within a council-wide framework. ISP is proving to be an effective system for improving efficiency service delivery and the economic performance of Councils.

ISP has been accepted and implemented below the radar in local councils across NSW. It is collaborative and effective. It is unfortunate that so little regard has been had to this achievement in the Review Panel's reports to date.

In terms of councils working together, the concept of Regions of Councils (ROCs) has been extremely positive inasmuch as there are obvious benefits for councils across broader regions to engage with each other on matters of regional significance, such as joint infrastructure development tendering and environmental protection initiatives. There clearly is some benefit in councils engaging in collective purchasing arrangements at a regional level. The role of ROCS has helped in making councils more competitive.

Collaborative servicing across NSW councils has markedly improved the efficiency in procurement and service delivery allowing councils to resource share and share the burden of costs. The ROCs have supported this model and have worked effectively in assisting regional and rural councils. These arrangements are extremely beneficial in regional councils where vast areas of infrastructure must be maintained.

²⁶ Ibid p.9



David Shoebridge MLC
Member of the NSW Legislative Council

**The Greens NSW
Submission
15 February 2013**

Service sharing initiatives has successfully delivered services like waste disposal and libraries to larger geographic areas on a more cost-efficient basis through group-purchasing, share capital investment and advocacy. State government would best support councils by resourcing these organisations and supporting the existing work of local councils, not forcing co-operation on unwilling and often ill-matched communities.

ROCs allow councils on a case-by-case basis to deliver regional services when services are best delivered, or goods and services are obtained, on a regional level. ROCs are increasingly used in this way for tenders, waste services and IT services. Again these achievements have not been driven by state governments and have happened collaboratively and with little fanfare.

Local government is getting on with the job of delivering efficient services but is rarely given credit for this. The Greens submit that the Review Panel should build on these successes in their recommendations.



c. FUNCTIONAL LOCAL COUNCILS: STATE GOVERNMENT RESPONSIBILITIES

Local government is about diverse representation for the broad range of communities in NSW. Improved funding arrangements, stopping cost-shifting and changes to legislation to allow greater flexibility for income streams, including abolishing rate capping and lifting the restrictions on section 94 contributions, are necessary to allow council's the financial autonomy they need to build and maintain local infrastructure and deliver essential services.

Cost-shifting costs local communities dearly. Survey after survey by the Local Government Association on the impact of cost shifting has found that:

“According to the Local Government and Shires Associations of NSW (LGSA)’ cost shifting survey, cost shifting by the Australian and NSW Government on to NSW Local Government in the financial year 2010/11 is estimated to amount to 5.72% of Local Government’s total income before capital amounts or \$499 million.

This ratio is consistent with ratios established for previous financial years (5.74% for the financial years 2009/10 and 2008/09; 5.92% for 2007/08; 5.95% for 2006/07; and 5.84% for 2005/06). In absolute terms, cost shifting is estimated to have increased significantly from \$380 million in 2005/06 to \$499 million on 2010/11.²⁷

In fact the annual estimated impost of cost-shifting on NSW local councils almost exactly matches the annual short-fall in infrastructure maintenance by local government. This is best addressed by a more respectful and inclusive approach across all three tiers of government in Australia.

The tone of the Review Paper is strongly geared towards change and adaption for the future by councils in NSW. It speaks of global and national trends which correctly include the environmental challenges and social change. The ageing population, housing affordability, growing populations and the areas of rapid growth and public transport are among other concerns.

One of the methods the Review Panel proposes to implement change in councils is to put in place a two-tiered councilor structure with a “larger number of ‘backbench’ councilors from which a small executive group could be selected”.²⁸ This model would dilute consensus decision making in councilors and potentially import the existing dysfunctional democratic model used at state and federal levels into local councils.

Few residents look to the existing state and federal governments as models for effective responsible government. Importing the backbencher/minister division into local councils would produce even less community engagement in decision making and may well lead to local councilor “ministers” being potentially seen as objects of ridicule in their local community.

The NSW Governments “NSW Number One” plan (“The State Plan”)²⁹ is mentioned by the Panel as being part of the driver of change in local government. As a result the reform as outlined by the

²⁷ The Impact of Cost Shifting on NSW Local Government: A Survey of Councils - Financial Year 2010/11 -

²⁸ Better, Stronger Local Government. The Case for Sustainable Change (November 2012) – pp 29 - 32

²⁹ NSW 2021 A Plan To Make NSW Number One

http://www.2021.nsw.gov.au/sites/default/files/NSW2021_WEBVERSION.pdf



Review Panel is very focused on the state government as the device for reform rather than local government itself being the driver of reform.

Rather than seeking to impose a top-down model of unwanted amalgamations and privatization on local councils, the state government would be better off examining ways in which the state government currently hinders the ability of local councils to deliver quality services and infrastructure in their local communities, and additionally ways to improve accountability and transparency in local government.

The institution of local government historically draws its powers from state legislation. Throughout the past century the responsibilities of local government have incrementally risen but not in correlation with its financial resources. Instead, we have seen state governments shifting responsibilities and costs onto local government, while restricting its ability to raise revenue from the local community.

The Greens NSW local government policy aims to clearly define the responsibilities of all layers of government, implement sustainable financing for local government and to end cost shifting.³⁰

Rather than adopting a relatively weak position of welcoming revised IPART rate-pegging guidelines³¹ the Review Panel should reject rate pegging as a failed experiment that has short-changed local communities. The fact that NSW rates are on average \$126 per capita less than in all other states, and the ensuing starving of infrastructure funds for local government, are set out in the Review Panel's own report.³² This evidence should be used to form a clear recommendation to end rate-pegging.

Lack of revenue provides a lack of opportunity for local governments. For the Greens the main reason why so few residents choose to contest to become local councillors is because they know from speaking to their elected representatives that the lack of funds and pressures from cost-shifting mean that even if they get elected there is little scope to deliver new infrastructure or new local services.³³

If the Review Panel is genuinely interested in attracting committed residents to become councillors then it should unambiguously recommend fiscal autonomy for local government; allow Councils to determine their own rates, to conceive of their own projects and then have them all vigorously tested at local elections.

³⁰ Greens NSW Local Government Policy, 15, 16

³¹ Better Local stronger Government: The Case for sustainable Change', November 2012. P.18

³² Better Local stronger Government: The Case for sustainable Change', November 2012. P. 17-18

³³ Better, Stronger Local Government. The Case for Sustainable Change (November 2012) – pp 32 - 36



David Shoebridge MLC
Member of the NSW Legislative Council

**The Greens NSW
Submission
25 March 2013**

D. CONCLUSION

The review of local government in NSW is an opportunity to recommend real improvements for local government in NSW. Unfortunately rather than look to the existing strengths in local government and then apply the best available evidence to these strengths to produce a well-argued case for reform, the most recent paper produced by the Review Panel appears to have uncritically adopted the “big is better” argument as a state-wide solution.

Most residents know that when they access services from ever larger organisations, whether it is their bank or the government, they get less personal service, higher costs and less of a say. When it comes to local government, these anecdotal concerns are exactly matched by the available evidence.

Forced amalgamations, bigger bureaucracies and less democracy is not the answer for NSW local government.

Rather than imposing one form of change on an unwilling local government sector the state government would be better advised to allow greater fiscal and regulatory autonomy for local governments. Removing rate-pegging and reversing cost-shifting must be at the centre of any serious reform for local governments.

The best answers for local government reform will be found at a local level, not on Macquarie Street. Local councils have proven that they know how to obtain efficiencies by regional collaboration through the existing ROC structure and local communities want to be involved in effective local government.

A handwritten signature in black ink, appearing to read 'D. Shoebridge', written in a cursive style.

David Shoebridge
Greens NSW MP
Local Government spokesperson

25 March 2013