



David Shoebridge MLC
Member of the NSW Legislative Council

Future Directions for Local Government
Greens NSW Submission
June 2013

NSW Independent Local Government Review Greens NSW Submission

RE: April 2013 Future Directions Consultation Paper

Dear Local Government Review Panel,

Thank you for the opportunity to again provide a submission regarding local government in NSW, this time in response to the April 2013 paper Future Directions (for NSW Local Government: Twenty Essential Steps). The views in this submission build upon those presented by the Greens in our submissions in September 2012 and March 2013.

Before engaging with the substance of Future Directions, it is important to relay concerns raised with the Greens regarding community engagement by the Panel. Numerous constituents have made complaints about the way in which community consultation has been undertaken, in particular that very minimal advertising that has been done by the Panel to inform the community of its work.

Anecdotal reports we have received suggest that the community consultation sessions run by the Panel have been poorly attended. One report suggested that at the session in the St George area, out of a potential 230,000 residents across three local government areas, only 13 people attended.

Correspondence from my office to the Minister is included as **Appendix A**. We have also included **Appendix B: Regional Districts in British Columbia**, relating to the proposed County Council structure, and **Appendix C: Misconceptions Regarding Amalgamations**.

The content of Appendix C has been repeated verbatim from our March 2013 submission and addresses directly the Panel's strong predisposition towards amalgamations. In Future Directions, the Panel has again failed to address these concerns and has instead pushed forward with drastic recommendations for amalgamations across NSW.

In our opinion, these unsupported recommendations are detracting attention from much of the good work that the Panel is doing regarding other areas of local government that need reform and which the Greens support. In particular in relation to sustainability and finance, productivity and improvement and better governance. These will be addressed further in the body of the submission.

We have structured our submission into the seven broad categories used by the Panel in Future Directions.

Please do not hesitate to get in touch if you have any questions regarding the position outlined in this submission.

Regards,

David Shoebridge
Greens NSW Local Government spokesperson



A. SUSTAINABILITY AND FINANCE

The Greens are largely supportive of the Panel's recommendations for sector reform in relation to sustainability and finance, particularly in terms of improving the financial autonomy of local government and improving accountability measures.

FISCAL RESPONSIBILITY

The Greens agree with the Panel's approach to fiscal responsibility, notably that it "does not mean simply keeping rates and expenditure as low as possible and remaining debt free."¹

We have long advocated that rate-rises beyond maximum mandatory levels set by government are sometimes necessary to undertake core activities such as asset development and maintenance, to address infrastructure backlogs and to generate operating surpluses.

The capacity to borrow funds is an additionally important aspect of responsible financial management, especially where councils are able to invest in revenue generating assets which benefit the community in the long run.

We regard the move towards all councils having a chief financial officer as positive in regards to developing fiscal responsibility across the sector, as is having the NSW Auditor General overseeing local government audits.

The corresponding annual report to Parliament by the Auditor General will be essential for accountability and transparency.

THE REVENUE BASE

It goes without saying that serious attention needs to be given to bolstering the revenue base for local government. The Greens' ideal position in relation to rate-pegging is in line with the Panel's, i.e. rate-pegging should be abolished.

In the absence of this, the Greens support the idea that councils which meet certain criteria would be able to increase rates by a set percentage above the IPART annual cap without going through the process of applying for a Special Rate Variation (SRV).

It should be noted that, while it is crucial to encourage councils to manage their finances responsibly and are not rate-gouging residents, rate-pegging and the overly onerous conditions for achieving SRVs, have played a significant part in delivering the unenviable the financial situation that many local councils currently find themselves in.

In the absence of the total abolition of rate-pegging, the Greens support the proposal for a full exemption from rate-pegging for councils which demonstrate "high performance in asset and financial management".²

¹ Future Directions for NSW Local Government: Twenty Essential Steps, April 2013. p14.

² Ibid, p17.



DEVELOPMENT CONTRIBUTIONS

The Greens are strongly opposed to development contributions where the contribution results in the council approving developments which exceed local planning controls. We see this scenario, often referred to as “voluntary planning agreements” as effectively bribery, and an unwanted legacy of the developer donation driven planning culture fostered by the former Labor government.

Developer contributions should be required when any development has an effect on the need for infrastructure and service provision in the community, recognising that developments are about more than the bricks and mortar of the development itself and have a knock-on effect into the local community, particularly when they increase the population and demographic mix of an area.

There is a real concern that changes currently proposed in the government’s White Paper and associated planning Bills will significantly limit the ability of local councils to make long term infrastructure plans financed through s96 contributions. These proposed changes must be considered by the Panel as part of the overall financial model put forward for local government. The Greens are recommending that this element of the White paper planning reforms is not progressed by the government.

GOVERNMENT FINANCE

The Greens support in principle the redistribution of federal and state grant funds to more needy local government areas. Given, as noted by the Panel, that the “quantum of FAGs (Financial Assistance Grants) grows by about 4% per annum”³ the progressive redistribution proposed by the Panel is a positive suggestion.

In relation to the proposal that local government borrowings be handled by a state-wide agency to keep interest costs low, while the concept is positive in theory, it should be noted that interest costs are currently low as it stands. Nevertheless the idea is worthy of serious consideration as an optional funding model for local councils.

SUPPLEMENTARY REVENUE

In relation to supplementary revenue, the Greens propose that councils be encouraged to invest in and maintain community infrastructure, which can contribute to ongoing revenue. It should be noted that this can be done both sustainably and profitably, for example the Fanny Durack Aquatic Centre in Enmore, a positive initiative of Marrickville Council.

When considering sources of supplementary revenue, councils should bear in mind that their first priority is to service the needs of the local community over the long-term, and as such should be extremely wary of selling assets to increase funds, particular if the sale contributes only to bolster general revenue.

³ Ibid, p18.



B. INFRASTRUCTURE

The Greens agree that addressing the backlog in asset maintenance and infrastructure development is of high importance to the sector and to NSW in general.

We are pleased that the panel recognizes, and is giving attention to, the particular challenges facing regional and rural communities with widely dispersed populations.

We support in principle the strategic prioritisation of the roads components of FAGs for strategic projects – noting that if the South Australian model of 15% was followed it would amount to \$30 million per annum in NSW.⁴ The caveat however is that such an exercise must be supported by additional state and federal funding and is not simply more cost-shifting.

We stress it cannot work if rate pegging is maintained, as that would not allow councils with more prosperous communities to seek the additional revenue necessary to make up any diversion of funds to more needy communities.

We look forward to further information about how the model QLD Regional Road groups formed through formal agreement between Department of Local Government and the Local Government Association can benefit local government in NSW, and welcome the recommendation for increased training programs and technical assistance in relation to infrastructure.

C. PRODUCTIVITY AND IMPROVEMENT

DATA COLLECTION

The Greens strongly agree with the Panel that “the lack of systematic data collection and performance monitoring across the sector makes it very difficult to determine whether councils generally are delivering services to a satisfactory standard and in a cost-effective way.”⁵

We support the move away from ‘tick-a-box’ compliance to a focus on deliverable outcomes, and support an overhaul of the compliance responsibilities of local government to ensure that the purpose of local government providing data to the Department is fostering an effective and productive sector.

To this end, data should be required to be submitted from councils to the department in a form that is consistent across the sector, in order to ensure that comparative analysis can be made to improve the sector as a whole.

A crucial addition to the Local Government Act that the Greens support in this regard is requiring the Department of Local Government to review and act on information that it receives from local government. Without this requirement on the Department it is difficult to see how the tick-a-box compliance culture can be broken.

While the Greens support an increased monitoring role by the Department, this cannot be allowed to subvert the independence of democratically elected local councils. This must be a non-negotiable feature of any significant reform. In this regard we note the detailed negotiation and

⁴ Ibid, p20.

⁵ Ibid, p22.



careful balancing of State and local council responsibilities as established in the Local Government early Intervention Bill 2013.

THE LOCAL GOVERNMENT AWARD

The Greens reject the calls for the cutting of wages and conditions, which are presumably coming from the corporate sector and some of the managerial advocates in the local government sector. Councils are not efficiency and profit making machines, they are community service providers. Not everything can be run for a profit.

The Greens support the local government sector being a model employer with strong employment protections, a highly skilled and a respected and well paid workforce. A committed, loyal and skilled workforce is essential for local government to be able to deliver the quality and breadth of services needed in local communities across NSW.

Sufficient leave and overtime provisions are essential for developing an effective long-term workforce that delivers for the community. The Greens do not support the outsourcing of core local government responsibilities to the corporate sector. We recognize that regardless of who provides a service, there are only a certain number of efficiencies that can be squeezed from staff. The Greens welcome that the Panel appears to understand this.

D. BETTER GOVERNANCE

The Greens have a number of concerns with the Panel's recommendations in relation to governance reforms, particularly the seemingly overriding tendency towards consolidation of power in the position of mayor. The Greens favour decentralised rather than centralised structures, proportional representation for local residents and clear community control over what goes on in their local community.

LOCAL COUNCILLORS

The Greens support mandatory, ongoing professional development for councillors. We further support broad-based representation in terms of number of councillors per resident and increasing the number of councillors who are younger people, women and those from culturally and linguistically diverse backgrounds.

In the next stage of the review of local government, The Greens encourage the Panel to investigate further what effect the proposed amalgamations and civic councils will have on the number of councillors each area is likely to have, particularly considering the likely knock-on loss of diversity in representation.

We strongly encourage the Panel to address not only the issues which may preclude women, younger people and people from culturally and linguistically diverse backgrounds from becoming councillors, but also identify ways to overcome these issues.



There is no doubt that the remuneration of councillors is low, and is likely a contributing factor to the type of people who become local councillors. The remuneration received by councillors should be commensurate to the amount of time that is required to be an effective councilor, taking into account meetings (including preparation) site visits and community events.

The Greens NSW support limited tenure for people representing the Greens in the Upper House at a state and federal level in order to encourage capacity building and skill-sharing amongst the party. However, while some Greens NSW local groups have introduced limited tenure for their local councillors, there is no agreed consensus across the state and we thus do not support mandatory limited tenure at this stage.

We recognize that there is a diversity of opinion within the community on this issue with some supporting retaining skilled and knowledgeable councillors and others seeking renewal and fresh ideas.

CONFIDENTIALITY

There is a flaw with the Panel's argument which sees the "deliberative" and "political" roles of councillors as being in conflict with one another.⁶ The premise for the argument appears to be that there is a problem with the fact that "councils must meet and make decisions in public"⁷.

The fact that councillors meet and make decisions in public are in reality a core strength of local government, and the Greens have long supported measures which stop decisions being made behind closed doors. Public decision-making encourages, and to some degree ensures, that councils engage with their local community when making decisions.

There are sadly a number of local councils which continue to take steps to make key decisions behind closed doors, and the Panel has made no substantial argument regarding why further secrecy and confidentiality are needed in local government.

Clearly there are some limited classes of decision making that requires confidentiality, such as the consideration of legal advice and the initial detailed assessment of a tender (but not the final decision on a tender). However by and large these non-public decision making events should be limited to these exceptional instances.

In line with this, the Greens reject the proposed concept of 'portfolio councilors' or a "civic cabinet"⁸. The existing committee structure sufficiently allows councils to look at issues and even make decisions within the local area in generalised 'portfolios'.

The Greens regard the Panel's proposals in this regard as likely to entrench existing issues where there are perceptions that small cliques of business interests, developers or 'boys networks' control councils. In fact allowing for a concentration of decision making power in a small handful of councillors will entrench this culture.

Much of this reform appears to be based on a misconception of the effectiveness and capacity of cabinet style decision making at a State and Federal level. The Panel's papers do not explain how it

⁶ Future Directions for NSW Local Government: Twenty Essential Steps, April 2013, p27.

⁷ Ibid.

⁸ Ibid.



is that this style of decision making is seen as effective, democratic or in any measurable way superior to the current collegiate style decision making of councils.

Before the Panel made a final recommendation in support of any such reform the Greens would expect the Panel to be in receipt of solid, peer-reviewed, evidence that supported such a drastic change, being a change that the Greens perceive as inherently undemocratic, divisive and contrary to the best collaborative traditions of local government.

THE STATUS OF MAYORS

The Greens believe that rather than strengthening the authority and responsibility of mayors, as proposed by the Panel, we should be strengthening the authority and responsibility of councils as collective decision making bodies.

There is an understandable necessity to clarify the role of mayors and general managers, particularly given the devolution of so much responsibility to GMs under the 1993 Act. However the answer is not to centralise power in the hands of the mayor.

One of the issues involved in enhancing the status of mayors, as proposed by the panel, when coupled with the suggestion of popularly election mayors, is the potential of entrenching mayors in their roles.

Currently a mayor only has limited powers, namely that they represent council at civic functions, chair council meetings and exercise delegated authority when council is not in session. The Act itself also allows a mayor, in cases of necessity, to exercise functions of council between council meetings. However as a general rule, mayors are required to build sufficient support from the other councillors in order to progress any agenda. The Greens regard this as democratic.

Thus the Greens find it concerning that the Panel is recommending that mayors be given extra powers, including the ability to appoint committees, oversee councillors, provide direction to GMs on strategic direction, and take the lead role in developing a council's budget.⁹ This would effectively create 'Executive Mayors' in all but name.

While professional development of mayors is important, so too is the development of all councillors: the councillor of today should receive the training to become the mayor of tomorrow. The Greens believe we need to be devolving power, democratising process and fostering development where possible, not the opposite.

THE ELECTION OF MAYORS

The Greens do not have a fixed position on whether mayors should be elected popularly or by the elected councillors. We believe that this should be a matter to be determined by each local community by referendum if necessary.

Anecdotal reports from current and former Greens councillors and mayors identify pros and cons with both scenarios. A popularly elected mayor who does not have, or loses, the majority support of

⁹ Ibid. pp30-31.



councillors becomes in effect a lame duck. Equally the yearly scramble for support for a mayor votes can have destabilizing effects on council relationships.

As such, the Greens do not support the mandating of mayors being popularly elected and support the status quo, which is that local communities should decide how their mayor is elected.

One issue with directly elected mayors that needs to be addressed regardless is in relation to how mayors are currently directly elected. A directly elected mayor is excluded from the council ballot, with their council votes passed on (and inevitably electing) another candidate from their ticket.

Thus on council they get a vote as mayor and then the candidate who effectively takes their seat on council receives a second vote. When you add this to the casting vote a mayor receives, a pretty significant bonus is revealed.

This system could potentially be addressed without abolishing the concept of a directed-elected mayor in one of two ways:

- I. The mayor does not receive a deliberative vote, but only a casting vote in their position as mayor. Mayoral candidates can choose to run and be elected as councillors too, if they want to have a vote.
- II. The mayor has to also be elected as a councillor. Before the official count of the mayoral ballots, any candidate who hasn't been elected to council is excluded. In this scenario, the Mayor doesn't get a bonus vote.

An example of the problem can be seen by observing the City of Sydney, particularly at the first election with its current boundaries. The Clover Moore group secured around 40% of the popular vote, electing four councillors among the total nine, a minority, but they then went on to win the mayoral election. The effect was for that group to have (without even requiring the exercise of the mayor's additional casting vote) effective control of decision making.

The Greens recommend that the Panel look towards ways in which this issue can be addressed so that representative democracy is practiced on any councils with directly elected mayors.

PROPORTIONAL REPRESENTATION

The Greens do not have a fixed position on wards, recognising that local government areas are not one-size-fits-all. While wards can be effective in ensuring proportional representation in larger metropolitan local government areas with a variety of distinct communities of equal size – Leichhardt, for example, encompasses the distinct communities of Annandale, Leichhardt and Balmain – in regional councils containing one large regional centre introducing a wards system may create disproportionate centres of interest, or strangely shaped wards.

The Greens support proportional representation at all forms of government. To ensure this at a council level, where a local government area has wards we believe that each ward should have a minimum of three councillors. As we stated in our September 2012 submission:

“Electing any less than three candidates per ward results in councils that poorly reflect the composition of the community they represent and invariably results in party-political domination on councils. Botany Bay Council is a prime example of this, where two member



wards and exhaustive preferential voting for many years ensured that one party won both vacancies.¹⁰

In March 2012 the Greens introduced the Local Government Amendment Local Democracy - Ward Representation Reform Bill, which aimed to put an end to two-member council wards. However, it was voted down in NSW Parliament¹¹.

The government instead amended the Local Government Act so that councillors in two-member wards are elected proportionally rather than by an exhaustive preferential system, a minor improvement. Botany Bay City Council, however, amended its structure from three two-member wards to six one-member wards, in order to retain single party dominance over the local government area.

Botany Bay is now the only council in the state which has councillors who are not elected by proportional representation. This represents a break down in our democratic processes and the Greens recommend that the Local Government Act be amended to require that wards must be made up of at three councillors or more elected by proportional representation.

While there are valid arguments in support of wards, the Greens believe that the choice to have or not have wards must remain a decision for the local community. Many LGAs believe that removing wards reduces parochialism and this is a legitimate reason for not imposing wards across the state."¹²

COUNCIL / MANAGEMENT RELATIONS

As foreshadowed above, the Greens agree with the need to clarify the role of general managers, with a strong predisposition towards fostering a consultative approach to, and relationship with, the elected councillors. We believe that the current granting of all "day to day" decision making to the general manager gives excessive power to this official.

While the Greens agree that ensuring that general managers are suitably qualified for their roles is important, this should not be allowed to produce an ever-smaller "GM club" from which candidates are chosen. Some greater diversity is required in the current talent pool that seeks employment as general managers in NSW local government.

The Greens support further consideration this relationship, as proposed by the Panel.¹³ The options presented by the panel, if dealt with as proposed, should have the effect of depoliticising the appointment (or otherwise) of general managers, which the Greens would regard as a positive development. However, we feel that the Panel has yet to give proper emphasis in its proposals to date to resolving issues regarding the manner in which general managers interact with councils – further emphasis on this by the Panel is required.

Further to the above, the Greens believe that giving mayors overriding responsibility in the selection of general managers is ill-conceived and potentially disastrous. To this end, the appointment of general managers should require the support of something in the vicinity of 65-75% of councillors, necessitating a broad range of councillors on the selection panel in the first place.

¹⁰ See ABC Elections website here: <http://www.abc.net.au/elections/nsw/2012/council/?page=BotanyBay>

¹¹ For further detail, see <http://davidshoebridge.org.au/2012/03/29/government-fails-to-address-undemocratic-botany-council/>

¹² Greens NSW submission to Independent Local Government Review, September 2012, p3.

¹³ Future Directions for NSW Local Government: Twenty Essential Steps, April 2013, p32.



E. STRUCTURAL REFORM

While the concept of greater regional collaboration among councils is important for the future of local government, the Greens have a number of concerns regarding the Panel's recommendations for structural reform.

AMALGAMATIONS

The Greens are not opposed to amalgamations if they have community support and we are pleased to note that the Local Government Review panel is not recommending forced amalgamations.

The Panel states "Amalgamations and boundary changes are not the panacea for local government's problems. However, the panel has no doubt that they are an essential element of a wider package of reforms,"¹⁴ and "There is simply not enough revenue or sufficient numbers of skilled staff to sustain 152 councils across NSW."¹⁵

Unfortunately, the Panel has failed again to provide evidence to support their assertions regarding the need for amalgamations, working instead from an assumption that larger councils are more financially efficient.

As the Greens have stated in previous submissions, this has not proved to be the case. We encourage the Panel to re-familiarise itself with the Greens' evidence in relation to amalgamations from our March 2013 submission, which we have reproduced in full in **Appendix B: Misconceptions Regarding Amalgamations**.

Further, "incentive packages" for "early movers" as proposed by the Panel,¹⁶ conceivably equate to an unreasonable degree of pressure being placed on councils to amalgamate. Any councils that choose to amalgamate should receive appropriate assistance where necessary, regardless of when it occurs.

The Greens commend the Panel for giving consideration to how local democracy would be retained in amalgamated councils through the proposal for elected Local Boards. At this stage, however, these appear to be an unnecessary fourth tier of government, with the case for amalgamating councils having not been effectively made. There is the serious potential to disenfranchise both metropolitan and regional communities under the Panel's current proposal for Local Boards, particularly without mandated statutory responsibilities.

Taken together with powerful executive mayors and cabinet style governance, it is likely that Local Boards will be little more than grievance bodies with little if any actual power. This is not a genuine alternative to real democracy in any council area that would otherwise have sufficient population and resource base for a traditional local council model.

However the Greens agree with the Panel that it is important to recognise the needs of struggling rural councils that have small revenue bases relative to their "service delivery and infrastructure responsibilities."¹⁷ A variation on the Local Board model, without the executive mayor and cabinet

¹⁴ Ibid, p9.

¹⁵ Ibid.

¹⁶ Ibid, pp9-10.

¹⁷ Ibid, p40.



style council overlay, may be some part of the solution in these cases. Clearly amalgamation may be some part of the solution in such a scenario, however it is crucial that the communities make that decision, and that distinct local communities retain genuine democratic representation in any new system.

COUNTY COUNCILS

The Greens see some benefit in formalising the current ROC structures in order to strengthen regional cooperation between councils and recognise this is effectively what is being suggested in the proposed creation of multi-purpose county councils. It is important, however, to ensure that the county council structure isn't used as a mechanism for removing decision-making responsibilities from elected councillors.

We recognise too that the proposed structure for county councils is partially dependent on other structural and governance recommendations of the Panel being adopted, namely amalgamations. Given that the NSW government has a 'no forced amalgamations' policy, the Greens strongly recommend that the Panel explore and report on alternate structures for regional organisations in NSW.

In fact, the Greens recommend that the Panel consider whether formalising ROCs into County Councils would remove the supposed requirement for amalgamations.

It is arguably putting the cart before the horse to aggressively amalgamate councils while at the same time formalising regional bodies. A more prudent strategy would be to formalise the structures for regional co-operation and joint service delivery and then ascertain whether this addresses the supposed need for amalgamations identified by the Panel.

The Greens support the idea of formalising strategic regional relationships between groups of councils, especially where it leads to better strategic regional planning and co-operation, and improved service delivery and economies of scale through joint purchasing. However we do note that much of this is already happening through collaboration in the existing ROC structure.

Given the success in ROCs to date the Greens believe there is a lot of merit in allowing councils to work together without formalized legislative structures that mandate any one particular model. To this end the Greens would recommend that any new legislative structure for ROCs be facilitative rather than mandatory and allow for choice and regional variations.

The Greens understand that during the consultation process, members of the Panel referred to how regional bodies operate in British Columbia as a potential model for the operation of county councils. Having examined the general principles of the system in British Columbia the Greens recommend further examination by the Panel of how this system works.

In particular, the British Columbian system entrenches consensus and flexibility at the heart of regional co-operation, two qualities which the Greens strongly endorse in all forms of government. For the benefit of the Panel, we have included further analysis of the British Columbia model in **Appendix C: Regional Districts in British Columbia**. This is a consensus style non-hierarchical model that the Greens would in large part endorse.



F. WESTERN NSW

In relation to the proposal to establish a Western Region Authority the Greens look forward to engaging with the promised supplementary paper – Strengthening NSW Remote Communities – the Options.¹⁸

The Greens NSW recognise the need to consider Western NSW as separate in character and nature to the rest of the state, and that a body incorporating local government, state government and the wider community may be required. Whatever model is adopted, it is important that it brings communities together rather than entrenches existing differences, that it strengthens Aboriginal participation and is sensitive to the needs of the environment.

If a Regional Authority is created, it is essential that – while participation and facilitation by government is welcome and probably necessary – it is the community which is empowered with decision-making capabilities, with a long-term view to increasing capacity in Western NSW.

G. IMPLEMENTATION

In relation to the establishment of a temporary Local Government Development Board, the Greens recognise that any major changes to the sector will require both sufficient resources and skilled facilitation to coordinate the interaction between the Department of Local Government and the sector as a whole. As yet, however, the need for such major reform has not been identified.

The Greens do not support the temporary establishment of any Development Board that will have the power to coerce councils into amalgamations, even if only through starving non-compliant councils of much needed funding, or denying them access to non-rate capped revenue.

The Greens encourage the Panel to engage in more depth with the critiques to its arguments that the Greens have consistently presented.

Overall, the Greens have no doubt that it would be beneficial if state and local government worked in a more collaborative fashion. We recognise that this is difficult considering the state government legislates what local government can and cannot do. The fact that the current state government has consistently legislated to take powers away from local councils does not fill the Greens with optimism that this situation will resolve itself in the near future.

H. CONCLUSION

The Greens appreciate the thoroughness of the panel's review of local government. We strongly support many of the fiscal reforms proposed and have qualified support for creative regional structures based loosely on the British Columbian model.

While we continue to have strong reservations on the rationale and politics driving the push for both amalgamations and executive style councils we genuinely appreciate the role the Panel is playing in reviewing local government in NSW.

¹⁸ Ibid, p54.



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APPENDIX A: CORRESPONDENCE TO MINISTER



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The Hon. Don Page, MP
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25 June 2013

Re: Independent Local Government Review Panels

Dear Minister Page,

I write in regards to the Independent Local Government Review Panels.

Concern has been expressed by a constituent that there was inadequate consultation with the local community about the operation of the Panels.

Were adequate resources allocated to the Panels to ensure that they were able to advertise the date and time of their consultation periods with communities?

What controls were in place to ensure that a wide cross-section of community members was informed about the opportunity to consult with the Panels?

What mechanisms were used to record the numbers of people who were informed about the Panels' operations across the state, and the number of people who actually attended Panel consultation sessions?

I would appreciate your response to these issues.

Kind regards,

David Shoebridge



APPENDIX B: REGIONAL DISTRICTS IN BRITISH COLUMBIA

Following is a summary of the general principles of how regional districts operate in British Columbia. The full document can be found online.¹⁹

PRINCIPLE	EXPLANATION
1. Part of the Municipal System	<p>Part of, not apart, from the municipal system. The federal character is the most important principle for understanding the unique character of regional districts. The region is a federation of municipalities and rural areas. Each constituent unit is in effect a shareholder and has a seat on the board of directors.</p> <p>As a consequence, regional districts are part of the municipal system not separate from it. The regional district does not sit over the municipalities with the municipal units serving the region. Rather it is the reverse: the regional district exists to further the interests of its municipal members.</p>
2. Voluntary	<p>Regional districts are for the most part voluntary organizations that are "self-organizing", in effect "writing their own tickets". That is, they only provide the services that their members or their residents agree they should provide.</p>
3. Consensual	<p>Regional districts are for the most part consensual organizations. They rely on "borrowed power", that is they only do what their municipal members and the public agree they should do. This is quite different than relying on "statutory authority" or "direct power". It means getting things done by forging agreements and partnerships.</p> <p>Accordingly, extensive procedures are set out in the Local Government Act for obtaining consent of the member municipalities and, in the case of rural areas, elector assent, whether in the form of referendum, petition or counter-petition. Regional districts that bristle at the lack of direct power in comparison to municipalities are missing the point that regional districts are consensual creatures by design.</p>

¹⁹ http://www.cscd.gov.bc.ca/lgd/gov_structure/library/primer_on_regional_districts_in_bc.pdf



4. Flexible	<p>Regional districts have a high degree of flexibility to choose which services they wish to provide and at what scale. As a consequence, every regional district has a different menu of services.</p> <p>As well, services are delivered at a variety of scales within the boundaries of the regional district. The service area can be a single municipality or electoral area, a grouping of municipalities and electoral areas or a part of a municipality or electoral area.</p>
5. Fiscal Equivalence	<p>The legislation for regional districts requires a close matching between the benefits and costs of services. The intent is that residents "pay for what they get". In practice, this can mean that each service that is delivered by the regional district has a cost recovery formula.</p> <p>To this end, the legislation provides a wide range of cost recovery tools including taxes, charges and fees and the flexibility to vary these. As well, it requires that each service be separately accounted for in the budget and accounts of the regional district.</p>
6. Soft Boundaries	<p>Closely related to the principles of flexibility and fiscal equivalence are soft boundaries or custom geography. Every service provided by regional districts has a defined service area, or a custom boundary which, to the maximum extent possible, attempts to match the cost recovery with the beneficiaries of the service.</p> <p>In fact, regional district boundaries are so soft that, indeed, there are many examples of services that extend beyond the boundary of the regional district encompassing other regional districts, other provinces and even other countries.</p>



APPENDIX C: 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 Act²⁰ and amalgamations with 'significant consolidation'²¹ 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'.²²

The Panel suggests 'economies of scale' can address the perceived deficiencies in local government²³ 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.²⁴ 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."²⁵

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

²⁰ Local Governments Acts Taskforce. Better Local Stronger Government: The Case for sustainable Change', November 2012 . p.6.

²¹ Better Local stronger Government: The Case for sustainable Change', November 2012. P.5

²² Ibid

²³ Working Paper' series 01-2010. Historical Evolution Local Government Amalgamation, Tasmania and South Australia. Centre for Local Government UNE, March 2010.

²⁴ Ibid. p. 35

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



Queensland has 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.”²⁶

Councils in NSW are already taking a stand against the anticipated amalgamations and have made statements to their communities against such proposals.²⁷ 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 be 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.²⁸ 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.”²⁹

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.”³⁰

History shows that councils across Australia have been previously amalgamated with no great improvements to efficiency or infrastructure.³¹ Previous amalgamations have resulted

²⁶ Agenda Volume 15, Number 1, 2008

²⁷ <http://www.strathfield.nsw.gov.au/news-and-events/media/media-releases-2013/mayor-of-strathfield-moves-to-resist-state-government-s-amalgamation-push/>

²⁸ Local government amalgamation policy: A highway maintenance evaluation, Rouse and Putterill, Management Accounting Research 16 (2005) 438–463

²⁹ Rouse and Putterill – p 454

³⁰ Rouse and Putterill – p 454



in local 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.³² This is supported by many studies based on previous amalgamations^{33 34} and the history of amalgamations in NSW.³⁵

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 delivered³⁶. 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.³⁷

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.³⁸

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.

³¹ Working Paper' series 03-2010. Historical Evolution Local Government Amalgamation, Tasmania and South Australia. Centre for Local Government UNE, March 2010 , p.35.

³² 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

³³ <http://www.lgsa.org.au/sites/lgsa.org.au/files/imce-uploads/35/final-report-findings-and-recommendations.pdf>

³⁴ Kiss, 2003 in Tiley and Dollery 2010.

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

³⁶ 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.

³⁷ Working Paper' series 03-2010 Local Government Amalgamation in New South Wales, Ian Tiley and Brian Dollery, Centre for Local Government, UNE, April 2010

³⁸ *ibid*



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.”³⁹

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 Centre⁴⁰ 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.⁴¹

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.

³⁹ Agenda Volume 15, Number 1, 2008

⁴⁰ 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

⁴¹ Allan report 2006, <http://www.lgsa.org.au/sites/lgsa.org.au/files/imce-uploads/35/final-report-findings-and-recommendations.pdf>