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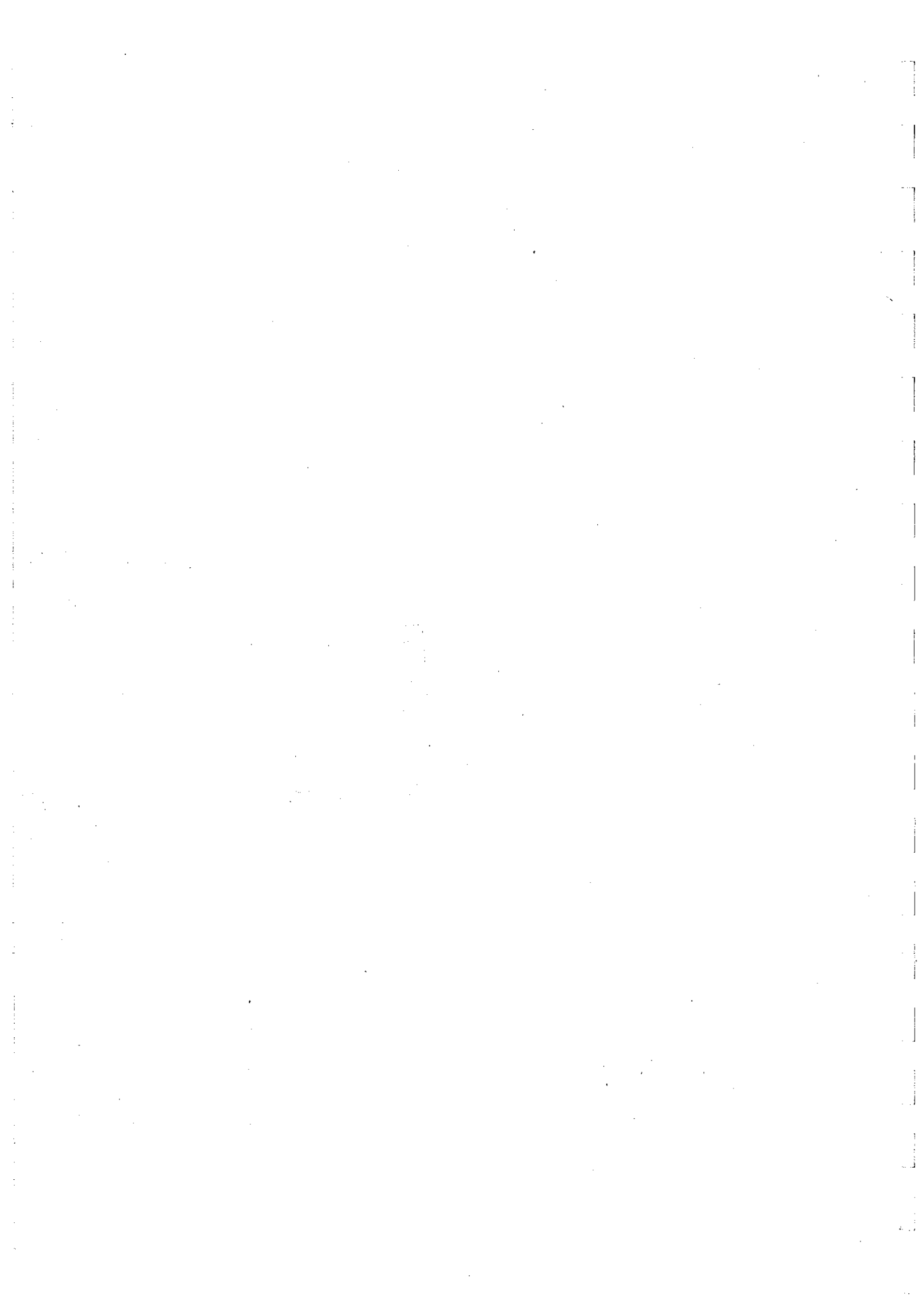
Wagga Wagga City Council

Legislative Council, General Purpose
Standing Committee No. 6

Inquiry into Local Government in NSW

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Wagga Wagga Hearing
Monday, 17 August 2015



Good evening,

You have received our submission to this enquiry and we are willing to speak to that submission.

We offer an opening statement today and some further information for your consideration.

Opening Statement

Council and regional and rural councils recognise the need for reform and continuous improvement.

We firmly believe that the current reform is too narrowly focused. The fit for the future approach does not address the whole breadth of reform recommended by the Independent Panel.

Areas not addressed by the FFF include:

- Cost shift to Local Government both historical and future
- The withdrawal of services by other levels of government
- Reduction of Government funding in real terms. eg the current pause in FAG's and reductions to Library funding.
- The need for role clarity between local government and other spheres of government.
- Changing the view of Government towards Local Government to a mature partnership from the current subservient parent/child relationship.
- The adoption of narrow breadth of performance criteria that fail to reflect the wider achievements and strengths of the sector and the sectors beneficial contribution to communities.

We support the formation of Joint Organisations of Councils and submit that they will give scale and capacity to regional and rural Councils and additionally the state will benefit through this collaborative interface.

This region has a long history of collaborative local government successes that have achieved scale and capacity. These include:

- Riverina Regional Library
- Riverina Water County Council and its predecessor Southern Riverina CC
- Goldenfields County Council and its predecessor Northern Riverina CC
- REROC

Before discussing the narrow breadth of the performance criteria it would be beneficial to recall some of the observations of the Independent Inquiry into the Financial Sustainability of NSW Local Government, May 2006.

I quote from the forward to that report:

"When we ask friends what proportion of the public sector is represented by Local Government, they invariably guess somewhere between 10 and 30 per cent.

The truth is that Local Government accounts for only five per cent of the total size of government in Australia and its own source revenue is an even smaller share."

.....

"Other challenges for Councils are their role and relationship with higher tiers of government, including the problem of cost shifting; managing rising community expectations; maintaining existing service commitments in the face of a huge infrastructure bill and constraints on rate income; strengthening governance arrangements including restoring public faith in the development control process; overcoming skill shortages, perhaps through greater resource sharing and using tools such as performance benchmarking to upgrade management practices.

What is clear is that with only five per cent of public resources at their disposal, councils cannot be all things to all citizens."

Whilst many of the reforms are supported by Local Government it is clear from recent history that many critical areas are still not recognised by state and federal government. Examples include:

- The removal of indexation on FAGs grants that will cost WWCC about \$1.8 million during the freeze and will have an ongoing cost of about \$1 million pa after indexation recommences unless an adjustment is made;
- The lack of any progress towards an agreed defined role of Local government and the resulting relationship building;
- The lack of progress on planning reforms;
- The continuation of service withdrawal by state and federal government; and
- Continued cost shifting.

The performance criteria should be consistent with the criteria used for other levels of government & should reflect a broader range of measures that will give meaningful data in relation to the whole of community rather than on LG alone.

Further Information

Sense of Community

In considering the outcomes under the current reforms the government must take into account the differing nature and role of Local Government throughout the state.

Regional and rural communities place far more emphasis on the leadership role of Councils than is the case in metropolitan Sydney. Regional communities are often built around the services and employment opportunities that local government provides.

Highlight the relationship and connection that the community has with their local government identity in regional and rural areas compared with metropolitan areas. This is in part the result of geography, but emphasises the need to consider amalgamations of Councils differently in "the bush".

I remind the committee of the answer given by Associate Professor Ryan to this committee on 27 July in answer to The Hon Robert Borsak's question: *How important is local government to regional and rural employment?*

Answer: Very important.....the importance of local government as an employer is more valuable perhaps than other types of employment generators out of non-metropolitan areas because of the range of skills that are employed by people in local government.....So one of the issues to consider around what happens if you make fewer local governments is the impact on employment, particularly in non-metropolitan areas.

Local Government is the nucleus that binds and supports rural and regional communities whilst allowing individuals to feel they have the capacity to influence what happens.

The real issues relating to sustainability

The current reforms, whilst generally supported, do not address many of the fundamental issues relating to sustainability. These fundamental issues should also be addressed.

Current council functions include:

- **Roads** (including bridges, footpaths, kerbing, drains and street lighting)
- **Refuse** (including recyclable waste collection and disposal tips)
- **Regulation** (e.g. town planning, land use zoning, development approvals, safety inspections and environmental controls)
- **Recreation** (e.g. parks, sports grounds, swimming pools, and libraries)
- **Relief** (e.g. community welfare, childcare, health, education and security)
- **Regionalism** (e.g. tourist and other forms of economic development)
- **Retail** services which are provided by regional and rural councils (e.g. water and sewerage, transport, gas supply, saleyards, aerodromes and caravan parks)
- **Rate** collections also absorb a council's resources, but of course this activity is only a means to an end.¹

Cost Shift

Examples are many but just a couple of examples follow

- The continuing decline in library funding.
- About 20 years ago many regional roads were reclassified as local roads, thereby increasing the responsibility of and cost to councils for road works. Compensation for this shift was not adequate and continues to impact on Council's finances.
- Many roads that are now classified as local roads are truly regional roads. The RMS has not taken up responsibility for these roads. Again, the Independent Inquiry into the Financial Sustainability of NSW Local Government, 2006 recommended that the NSW Government assume responsibility for all regional roads in rural shires (Recommendation 9)

¹ Independent Inquiry into the Financial Sustainability of NSW Local Government, 2006

Service withdrawal – Last one standing

- Why do rural councils need to subsidise doctors and their premises in order to attract them to their towns?
- Councils have been required by their communities to backfill services withdrawn by government e.g. aged care facilities and medical centres.
- In rural areas especially Council is 'the last one standing'. If a Council doesn't fund a badly needed service the community is denied it.
- Reduction in traditional funding e.g. libraries,
- Services have come about because of government seed funding that is later withdrawn (e.g. Connecting Rural Families program)

Reduction of Government funding

- Commonwealth financial assistance grants (FAGS) to local government have grown much slower than the state economy and have shrunk as a proportion of federal tax revenue. Exacerbating this reduction in real funding these grants are currently subject to a CPI freeze.

No defined role

- State legislation such as the council's charter in the LG Act does not define Local governments role vis-à-vis other governments. Nor is there an intergovernmental agreement to clarify this.²

The view of Government to Local Government

- The official view in State Government is that local councils are legally no more than state statutory corporations and as such they are not an autonomous tier of government even though elected by citizens. Again, state legislation such as the council's charter in the LG Act does not define Local governments role vis-à-vis other governments. Nor is there an intergovernmental agreement to clarify this.²
- The role of the DLG is more akin to a 'nanny' than a 'mentor' and 'monitor'.... New Zealand and South Australia have shown that when councils are treated as self-governing entities that are expected to fix their own problems
- The effects of rate pegging should not be under estimated. You have heard acknowledged during your hearings that the average residential rate in Victoria is some 40% higher than NSW. Qld rates are similar to Victoria. Is it any wonder that LG is under some financial duress in NSW.

Performance Criteria

The current performance criteria are generally financial criteria which as referred to in our submission are quite narrow and are inconsistent with the reporting from other levels of Government.

The criteria do not take into account community expectations and satisfaction. Nor do these criteria make any holistic assessment on the effect of the greater community cost/benefit that result from LG. We have not received any explanation as to why the benchmarks that are to

² Independent Inquiry into the Financial Sustainability of NSW Local Government, 2006

be used to measure FFF are related to neither the effectiveness of services nor the greater flow on effects that arise from LG in local communities.

Suggested Changes to the Fit for the Future Ratio's

1. Operating Performance Ratio
 - a. Should Include Capital Grants and Contributions which are of a recurrent nature such as Roads to Recovery and RMS Regional Roads grants
 - b. Should exclude Depreciation. The State and Commonwealth Governments do not include depreciation in any of their financial performance measures. The inclusion of depreciation also disadvantages Councils such as Wagga Wagga with an extraordinarily large road network
2. Real Operating Expenditure per capita
 - a. The ability to adjust the ratio to include corresponding items of income for one off items e.g. Natural Disaster Funding. The ratio gives a misleading result if these adjustments are not made.

