

8 September 2015

Your ref:

Our ref: A14/6487

Mr John Miller
Principal Council Officer
Upper House Committees
Legislative Council
Parliament of New South Wales
Via email to: GPSC6.GPSC6@parliament.nsw.gov.au

To whom it may concern

**General Purpose Standing Committee no. 6
Inquiry into local government in New South Wales**

Thank you for the opportunity to participate in the General Purpose Standing Committee No. 6, Inquiry into local government in New South Wales held in Armidale on Tuesday 18 August 2015.

Please find attached a corrected transcript and responses to the Questions on Notice taken by Armidale Dumaresq Council.

Council would also like to provide some clarification on a couple of points, as outlined below.

1. As outlined on page 10 of the transcript, The Hon. Robert Borsak asked "*Would you be happy to be forced to be amalgamated with other councils?*" Cr Bishop advised that he believed that the residents of Armidale Dumaresq would not be happy with forced amalgamations.

Further explanation is required of this statement. In making this point, Council has recognised that any forced or agreed amalgamations without adequate funding, will result in Armidale Dumaresq ratepayers subsidising the new council needs for asset improvements and social service needs.

This Council has established a long term financial direction that will over time meet its asset and social needs, however there is not capacity for Council to absorb or contribute towards the unknown asset backlogs and demands for service provisions of the rural councils that would form part of the amalgamation.

As per Armidale Dumaresq Council's resolution of 27th April 2015 (outlined in the attached Responses to Questions on Notice document under Question 3) any amalgamation must be adequately financed and the burden of asset and social needs addressed by the State Government for a period of ten (10) to twenty (20) years not just force a merger and then retreat from the cost implications and social burdens that unfunded mergers will create across rural New South Wales.

2. An error of fact is included on page 8 of the transcript and should be rectified. Cr Bishop quotes Armidale Dumaresq Council as having 360 staff. This figure should be amended to 231.

If you have any questions please contact Jessica Jones in Armidale Dumaresq Council's Executive Office on

Yours sincerely

Cr Laurie Bishop
Mayor
Armidale Dumaresq Council

Cr Herman Beyersdorf
Deputy Mayor
Armidale Dumaresq Council

Enc: **Corrected transcript (1)**
Responses to Questions on Notice (2)

Questions on Notice taken by Armidale Dumaresq Council

Question 1 (Page 4)

CHAIR: *Many people did submit a special rate variation; this is not an attack on you. My point, for the report's sake, is that councils put what figure they needed to become Fit for the Future, which potentially makes the methodology null and void.*

Off the top of your head could you give us a round figure of what cost-shifting is costing you as a council from the State point of view? More particularly, what is the gap of full cost recovery on regional roads in your area? Would anyone like to give us a snapshot of your area in those two regards?

Mr DAVID SHOEBRIDGE: *You can give more detail on notice.*

CHAIR: *Yes, you can take it on notice. Roughly, what is cost-shifting costing your council? Secondly, in terms of regional roads, how many kilometres do you have and what is the funding that the State Government is giving for that? The evidence that we have received so far is that we might be short-sheeting by 15 per cent, or around that figure.*

Mr BISHOP: *Armidale Dumaresq Council would like to take that question on notice.*

Response:

In response to the question on cost shift, this seems to be an obsession of the State government, the opposition parties and local government industry groups. It was recognised that a general transfer of roles and functions from the State to local government needed to occur as many aspects of regulation and advice could be better served at a local level.

The issues around cost shifting are acknowledged and councils have had to reduce service provisions in some historic areas to provide advice and assistance to the communities in other areas. If a business is going to grow, it must change. If in local government's case, the roles and functions are directed to change, then that is what must happen.

Council recognises that every change in legislation or service provision comes at a cost. This cost is in staffing needs and resources. As Councils do not have an infinite budget then other services must be reduced. Reductions in services do impact on some members of society but this is a business decision on what to reduce, where and when. Of course it would be nice to have services or new legislation funded but the reality is that this can not happen if the State is to provide higher value services around health, schools, policing, etc.

Local government needs to accept that cost shift or service shifts will continue to occur and the State Government should stop future enquiries into a rotational argument that can not be supported and provide that wasted enquiry funding back to local government to get on and support their communities.

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Question 2 (Page 5)

The Hon. PETER PRIMROSE: *Mr Stewart, you mentioned frozen FAGs. Could each of you take on notice the question: What is your estimate of how much money your individual councils are losing annually—and project that forward—as a consequence of the freezing of the indexation of the financial assistance grants? I am not asking you to answer that off the top of your heads. Please take that on notice; that would be great.*

Mr CONNOR: *I can tell you that for Uralla Shire Council, the compounding effect over the three years of this freeze alone is \$320,000 to our bottom line. That is a considerable impact for an organisation that has an operating budget in the vicinity of \$15 million. That is not to mention the fact that different changes to the FAG over the last 30 years has moved it from about one per cent down to about 0.53 per cent, by the time the freeze is over. So that is considerable, industry wide.*

Mr STEWART: *Ours is about \$60,000 a year, compounded—that is, \$60,000 from the first year. If you are looking at where it sits in our budget, it is about two per cent of our rates.*

Mr DAVID SHOEBRIDGE: *That is about the same for Uralla.*

The Hon. PETER PRIMROSE: *Armidale?*

Mr CONNOR: *We are happy to take that question on notice.*

Response:

The FAG freezing is the Federal government freezing the available grant pool of funds. The actual distribution to councils will be dependent on the grants commissions' distribution formula. So what this means is that it is hard to predict with certainty the actual impact.

That being said, Council has budgeted in this year for the same allocation as last year. However on the 17th August we received confirmation what our grant allocation will be for this financial year which is \$68,000 less than last year. The only thing that compensates this, is that we have received 50% of the grant up front on the 1st July meaning that we can at least derive interest from it.

The following table shows the current state. The revised budget is based on the advice on the 17th August. Council has received 50% of the allocation to date.

Description	Prior Year Actual 2014-2015	Current Original Budget 2015-2016	Current Year Actual	Revised Budget Current Yr.	Variance Revised to Actual
1690 - Financial Assistance Grants (GPR)	(3,024,545.02)	(2,673,986.00)	(1,650,941.50)	(2,615,454.00)	1,650,941.50
1691 - Financial Assistance Grants (Roads)	(1,051,948.98)	(1,402,508.00)	(871,340.00)	(1,392,708.00)	871,340.00
	(4,076,494.00)	(4,076,494.00)	(2,522,281.50)	(4,008,162.00)	2,522,281.50

Question 3 (Page 6)

The Hon. PETER PRIMROSE: *If amalgamation was to happen, what resources, supports and policies do you believe the State should bring in, which would assist you in that process? Do you need anything?*

Mr BEYERSDORF: *I could briefly allude to—I am trying to find it—our resolution of April of this year, when we expressed the view that if some of the smaller councils were to be joined and not become rural councils—I think Walgett was specifically alluded to—we would want quite a bit of financial assistance from the Government to get all of these places up to scratch in terms of roads and those sorts of services, which have fallen behind. I refer to the whole area, including us, but in the smaller councils the infrastructure backlog is much more pronounced than it is within Armidale Dumaresq Shire, although we cannot be proud of our backlog, either. So, yes, we would be looking for funds—and not just the \$10 million, \$11 million or \$13 million that has been promised by the Government for the two or more councils that want to join but some ongoing financial assistance, especially to cover those areas that I have just alluded to with respect to infrastructure backlog, especially for the smaller councils but also within our area.*

The Hon. PETER PRIMROSE: *Again, could you take that on notice. I think it would be useful if you could list some of those supports, and detail that to us.*

Mr BEYERSDORF: *Some of it is in that resolution that has been tabled. I am just trying to find it.*

Mr DAVID SHOEBRIDGE: *In short, you need a whole lot more money.*

Mr BEYERSDORF: *That is the short answer, yes.*

Response:

The following Motion was adopted by Council in April 2015 and relates to recognition under sub clauses (f), (g) and (h) that on going funding resources are required. Council in its study of the publically available information on the finances of the four councils recognised that without the upfront contribution offered by the Sate Government for voluntary mergers and the ongoing funding through R2R and a negotiated funding arrangement for bridges with RMS, then a merged regional council will struggle to meet long term financial commitments.

The social and political implications of a regional merger can be overcome if the community can see that the merged entity is providing asset improvements and social outcomes. If the merged entity is financially strapped, then the community will not see any advantages and will not be satisfied with current and future governments.

Motion: 27th April 2015

Moved Cr Beyersdorf

Seconded Cr Richardson

- (a) That Council reaffirm its Option A decision of 23 February 2015 (resolution 23/15) as set out within the attachment); and
- (b) That Council submits an attachment to Option A which includes merging with Guyra and Uralla Shire Councils, subject to agreement of the boundary adjustments proposed by Glen Innes and Inverell Councils and that Walcha Council be supported in an application as a Rural Council; and
- (c) That Council work with Glen Innes Severn, Inverell and other adjoining Councils to establish future Council boundaries subject to communities of interest and to support the communities in transitioning to the enlarged Council areas; and
- (d) That if Armidale Dumaresq, Guyra, Uralla and Walcha councils (or any combination of these Councils) are merged that the new Council be named “New England Regional Council”; and
- (e) That should the State government not allow Walcha to be a Rural Council, then Council enter into negotiations with the Office of Local Government to determine long term funding arrangements for the Walcha Council area to meet asset maintenance and renewal requirements that will bring the community up to the regional asset standards; and

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- (f) That the Office of Local Government guarantee the initial funding of \$11 to 13.5million is allocated to allow the preparation and submission of an implementation and integration plan for consideration based on three or more Councils; and
- (g) That the Office of Local Government provide grant funding opportunities to meet asset replacements and renewals that are unfunded in the Council areas and that this grant funding is provided through NSW Treasury annually to meet the ability of the regional Council to undertake such works or alternatively, that continuous funding of \$2million dollars is provided annually for a ten year period linked to road, and footpath asset renewal and repair to allow improvements and that additional funding be provided for bridge replacements or renewals based on an assessment between the Roads and Maritime Services and Council as a rolling program over twenty years; and
- (h) That Roads to Recovery (R2R) and Federal Assistance Grants (FAGs) are reviewed to ensure that the New England Regional Council is not disadvantaged by the merger of up to four Council areas and that additional direct funding is provided to meet long term asset improvements across the newly formed areas; and
- (i) That the Office of Local Government transfers the New England Weeds Authority to the Joint Organisation and removes its roles and functions from the merged Council entity and from the Local Government Act proclamations; and
- (j) That Council consult with the community on Fit for the Future.

The Motion on being put to the vote was CARRIED.

Question 4 (Page 9)

The Hon. ROBERT BORSAK: *We need a benevolent despot—hang on, we did have one. Am I correct in saying that all three of your councils manage water assets?*

Mr STEWART: *Yes.*

Mr PEARCE: *Yes.*

Mr BISHOP: *Yes.*

The Hon. ROBERT BORSAK: *What would be the effect on council's rate base if you were to lose those assets?*

...

The Hon. ROBERT BORSAK: *Armidale?*

Mr BISHOP: *In terms of the specifics we would have to take the question on notice but we are very fortunate in that one of our forefathers had very long-term vision as to the needs for the water and we have a very good water supply that supplies us with a good source of supply for all these occasions except for severe drought, which is currently the situation.*

Response:

Armidale Dumaresq is a water and sewerage authority and has its own supply dams, treatment plants and required infrastructure.

Armidale Dumaresq Council is not reliant on the water and sewerage side of the organisation to support or prop up its general fund. This may not be the case for other smaller councils in this

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region. Council has taken a conscious decision to ensure that the water fund and the sewer fund are operated as distinct business units of Council. This ensures that any money raised from the fund remains in the fund and at this point in time that the fund has sufficient reserves to meet its long term asset needs before it pays back any form of dividend to council.

The fund does pay administrative costs for services provided both in house and external to the organisation as any business model must achieve.

This water business unit has long term capacity to ensure future expansion of services and capacity to provide support for adjoining councils should this become a requirement into the future. The business units have existing professional staff to meet all reporting and design needs and financial capacity to fund strategic planning objectives, future subdivision needs and growth across the council area.

If a future government implemented the recommendations under the Armstrong Gellatly Report and water was removed from regional councils for a future government to sell off, then Armidale Dumaresq Council would not see any major changes to its general fund budgets or changes in service provisions to its community.

Conclusive comment

Armidale Dumaresq Council is of the belief that Regional Councils will need to be formed to ensure that small rural communities do receive the required financial and social support required as we go into the future. Many changes have occurred over the last ten years that have moved communities from reliance on a small local council to being able to talk to the world. Almost every house has a computer, a large proportion of society uses internet banking to pay bills, we use email to send messages rather than posting a letter, we have good phone communications available and our knowledge and access to world events has increased dramatically.

Council accepts that to remain in the days of horse and cart service delivery for local communities is a retrograde step and that the precious retention of a small rural local council is romantic but no longer practical if society is to gain benefits from standard business expectations around purchasing, expertise and contestability.

Armidale Dumaresq Council has advised IPART that its only option under the rules established by the State Government was to stand alone. The long term future for the NEW England Region should be to amalgamate the councils of this area and to ensure that adequate asset and social funding is available to ensure we develop to the highest standards obtainable and not create a second class of society in rural NSW.