

OPENING STATEMENT TO LEGISLATIVE COUNCIL INQUIRY  
LOCAL GOVERNMENT NSW

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Mr Chair; Honourable Members of the Committee:

I'd like to start Local Government NSW's appearance before you today with a brief statement of support for sector reform.

As you would be aware from our submission, LGNSW supports Fit for the Future as a Council improvement program.

Like the State Government, we believe the people of NSW deserve a strong, financially secure Local Government sector.

And we commend the Minister and the Office of Local Government for working to ensure Local Government is a partner in this journey to achieving the best possible outcomes for the residents and ratepayers of this state.

We all agree on the destination.

**Where we may well differ from the Government is on how we get there.**

Let me make this very clear: LGNSW supports continuous improvement in strategic service delivery and best-practice financial and asset management.

We support voluntary, evidence-based structural reform.

But we do **not** support the forced amalgamation of Councils.

We do **not** support any attempt to erode or override grassroots democracy.

And we do **not** believe any real or lasting improvement can be delivered to the people of NSW if we do not **Fix the Funding First**.

LGNSW has consistently argued that existing policy and legislative settings are forcing many NSW Councils into perilous financial waters, over the long-term.

And the problem has nothing to do with Council size.

Just two years ago the TCorp Review confirmed LGNSW's position, identifying an infrastructure renewal backlog of \$7.2 billion, an asset maintenance gap of \$389 million, and a net sectoral operating deficit.

This problem is the outcome of serious systemic flaws in the funding model for Local Government – flaws identified by the Allan Inquiry, by the Independent Local Government Review Panel, by the Government's own Treasury Corp.

Flaws created by nearly 40 years of ratepegging ... ratepegging which coincides with ongoing cost-shifting from both the State and Federal Governments.

Flaws which will remain no matter how many amalgamations this Government rams through against community wishes.

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In a recent media report the Chair of the Independent Local Government Review Panel, Professor Graham Sansom, said the Government was “dumbing down” the Panel’s Report by ignoring the majority of his recommendations in the rush towards amalgamation.

LGNSW agrees.

If this Government is serious about financially sustainable Councils ... about delivering the best possible outcomes ... about operating in the best interests of residents and ratepayers ... then amalgamations are a side game.

They **won’t** place downward pressure on rates, and they **won’t** improve levels of service.

NSW already has the lowest per capita council rates of any jurisdiction, other than the Northern Territory.

The most recent available national statistics show NSW’s rates per capita were about 20% below the national average - \$499, compared with \$633.

Rates are artificially low as the result of 40-years of rate-pegging, maintained by this and previous Governments.

Politically popular ... but not financially smart.

Especially not when it occurs simultaneously with cost shifting ... cost-shifting which continues to move funding responsibility for infrastructure and services off State and Federal Government books, and onto the shoulders of Local Government.

Rate-pegging means Local Government has little choice but to absorb the hit.

There has and continues to be a decline in Commonwealth and State Government funding support for Local Government.

For example, the recent Federal freeze on the indexation of Financial Assistance Grants until 2017-18 means a permanent 13% reduction in Local Government’s funding base.

In NSW alone this translates to \$287.7 million.

And it comes on top of an estimated cost-shifting hit of at least \$521 million per annum.

That’s a lot of infrastructure, a lot of service delivery, that is no longer being funded.

If the Baird Government was serious about financially sustainable Local Government, this is where it would start.

Not forced amalgamations.

Not Mega Councils, with populations as large as Tasmania.

Structural funding problems do not disappear when Council size is increased.

And in this, at least, we have real evidence.

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The Sydney Morning Herald reported on 7 July that the Government's own statistics placed Sydney's five largest councils – and I quote – “at the bottom of the class in operating performance ratio”.

This is not a criticism of the Councils involved; any close look at Local Government operations shows a multitude of variables that can impact on individual financial performance.

But it does show that there is no correlation between Council size and performance.

Bigger is not always better.

The Government has failed to make its case – to the sector, to the community, and to the people of NSW.

And the latter point is vitally important.

I commenced this opening statement by reminding us all that Local Government is democracy at its absolute grassroots.

It is the only way the majority of ordinary individuals can have a direct input into the future of their neighbourhoods and the way they live their lives.

It is more connected to the community and less the captive of party politics than any other sphere of Government.

So it is no surprise that less than one in five Sydney residents supports the merger of their Council.

Despite what you may have read recently in the newspaper, independent, professional and statistically valid social research has found **only 18% of the community** supports the Mega Councils proposed by the Baird Government.

In fact, more than 60% prefer their Council to stand alone.

This polling – undertaken by respected and independent market research firm Micromex, had a sample size of more than 7,400 – about five times the average sample size used in political voting intention polls.

It involved random telephone interviews across 14 Local Government Areas in the Sydney basin, with respondents weighted to accurately reflect Australian Bureau of Statistics demographics.

And 85% were supportive of their Council remaining a stand-alone entity.

In fact, 61% selected the stand-alone option as their first preference.

That's 61% ... compared with just 18% who selected the Government's proposed amalgamations as their first preference.

The majority of residents feel that their local Council is doing a good job.

They don't want to be forced to give way to big developers, or to see their lifestyles impacted by decisions into which they have no meaningful input.

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They don't believe the proposed Mega Councils will have the capacity to address local issues.

The Government would be wise to heed this expression of public opinion, and to think twice before they force mergers against community wishes.

LGNSW supports Council reform.

We support the fact that each and every Council has drilled down into its financial affairs as part of the Fit for the Future process, and developed real programs of improvement designed to ensure Local Government delivers real value to the people of NSW.

We support – indeed, we commend – those Councils that have worked together to propose an amalgamation that will genuinely benefit their residents and ratepayers.

What we do not support is forced amalgamations.

We do not support an ideologically-driven bid to water down grassroots democracy; to override the will of the people, or to make it even easier to justify cost-shifting on a massive scale.

We do not support change which does nothing to resolve underlying and systemic funding issues.

And we urge all three spheres of Government to work together ... to **Fix the Funding First**.

Mr Chair, Honourable Committee Members –

I thank you for your commitment to Local Government, and I look forward to answering any questions that may assist you in your deliberations.

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*1243 words - approx 7 minutes*

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