From the ILGRP to ‘Fit for the Future’: What did the Panel recommend and why?

Graham Sansom
Three questions

- What exactly did the Panel’s final report have to say about possible amalgamations and the processes to be followed?
- What was the reasoning behind the Panel’s ideas?
- How does the FFTF package reflect the Panel’s findings?
Queensland 2007-08 (Hoffman)

- Objectives of 2008 Amalgamations
  - Facilitate optimum service delivery
  - Effectively contribute and participate in Queensland’s regional economies
  - Better manage economic, environmental and social planning consistent with regional communities of interest
  - Effectively partner with other levels of government to ensure sustainable and viable communities

- Basically a ‘new local government model’...
  - ‘Bigger picture’ approach
  - Stronger resource base; economies of scale; greater capability and capacity for better services and infrastructure, economic and regional development, growth management
ILGRP goal

A more sustainable system of democratic local government with added capacity to meet the needs of local and regional communities, and to be a valued partner of State and federal governments.
ILGRP Overview

- TOR called for *options* for governance, boundaries and structures
- Government highlighted ‘no forced amalgamations’ policy
- Final report emphasised need for a *systemic* approach and a *package* of reforms, with inevitable trade-offs
- ILGRP proposals clearly separated ‘Finance and Governance’ from ‘Structures and Boundaries’
- There were *no ‘recommendations’* for amalgamations or boundary changes *but some ‘preferred options’*
- But ILGRP did ‘recommend’ *a new process* for considering and determining merger proposals
- And all non-metro councils to be included in a *mandatory regional Joint Organisation* (or Far West Authority)
ILGRP rationale

• The overarching imperative is to ensure the long-term sustainability and effectiveness of democratic local government
• The focus should be on strengthening ‘strategic capacity’ – the right structures, governance models, skills and resources to realise local government’s potential.
• Stronger regional organisations are vital to ensure increased resource sharing and joint planning, and to support vulnerable rural-remote councils.
• Structural reform – including council amalgamations – is another essential component of reform: NSW cannot resource 152 councils
• Reforms must be pursued as an integrated package.
‘Councils at risk’

- Population trends
- TCorp FSR and Outlook
- OLG infrastructure rating
- Rating base
- Grant dependency
‘Strategic Capacity’

Relevance
- Role in system of government
- Wider agendas
- Places and communities

Resources
- Finance/asset management
- Rates
- Skills (inc strategy, policy, IGR)
- New ways of working

Credibility
- Political renewal
- Mayors
- Benchmarking
- Leadership by larger councils
Key elements of strategic capacity

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership.
<table>
<thead>
<tr>
<th>Efficiency and Economies of Scale</th>
<th>Amalgamation</th>
<th>Boundary Change^</th>
<th>Shared Services#</th>
<th>Regional Collaboration*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong link</td>
<td>Potentially strong link subject to size/disposition of re-shaped councils</td>
<td>Strong link</td>
<td>Weak link</td>
<td></td>
</tr>
</tbody>
</table>

| Strategic Capacity | Strong link | As above – benefits will flow to larger ‘new’ council/s | Potential medium-strong link subject to organisation structure and governance | Weak link |

| Service Improvement and Innovation | Strong link | As above | Strong link (but limited to services that are effectively shared) | Potential link subject to nature and scope of collaboration |

| Potential Diminution of Local Democracy | Distinct risk, but can be managed | Some risk depending on nature of ‘new’ councils – can be managed | Risk where extensive decision-making is ceded to joint authority – may be difficult to manage | Little or no risk |

^To create a larger, higher capacity council
# Assumes more robust, statutory regional organisations
*Along the lines of a regional organisation of councils
Merger ‘preferred options’

- 9 (14 councils affected) very small rural-remote councils (projected population <4,000)
- 3 (6 councils affected) councils adjoining major regional centres
- 2 (4 councils affected) in Hunter region
- 1 (2 councils affected) in Central Coast
- 8 (31 councils affected) in metro Sydney

**In total 57/144** councils affected (Far West excluded)

NB:
- No merger considered at all for 42/144; *options* were identified for remainder but not ‘preferred’
- ‘Rural Council’ alternative option for 20 councils
ILGRP proposed criteria for LGAs

- Sustainability and strategic capacity
- Efficiency and effectiveness (‘value for money’)
- Boundaries should facilitate integrated planning
- Local identity and sense of place (but not necessarily separate LGA)
- Accommodate projected population growth
- Accessible administrative centre
- Substantial urban centre for higher order services
- Include key local/sub-regional infrastructure
- Mergers should minimise complex boundary adjustments
ILGRP metro Sydney objectives

• Create high capacity councils that can better represent and serve their local communities on metropolitan issues, and be true partners of State and federal agencies

• Establish a more equitable pattern of local government across the metropolitan area, taking into account planned development

• Underpin Sydney’s status as a global city

• Support implementation of the Metropolitan Strategy, especially the planning and development of major centres and the preparation and implementation of sub-regional Delivery Plans.

NB: not economies of scale or financial sustainability;
6-8 ‘strong’ JOs flagged as a possible alternative to preferred mergers
Joint Organisations

- ‘Strong’ JOs seen as the way to minimise non-metro mergers
- Not a ‘one-size-fits-all’ model; individual proclamations
Proposed core functions of JOs

- Strategic regional and sub-regional planning
- Inter-government relations and regional advocacy
- Information and technical exchanges between councils
- Activities of existing County Councils
- Regional alliances of local government water utilities
- Regional Roads Groups (network planning/major projects)
- Collaboration with State and federal agencies
- Strategic procurement
- Other joint activities specified in the proclamation
  - Shared services, infrastructure, environment, libraries, economic development etc)
  - Administrative and technical support for ‘Rural Councils’
Community Boards

- An option for:
  - Amalgamated LGAs where former areas wish to retain local identity and decision-making
  - Communities within very large LGAs (e.g., metro)

- Community Boards remain a popular and useful part of local government in many parts of NZ
  - Mix of elected and appointed members
  - Communities can seek their establishment
  - Don’t have to cover the whole of a LGA
  - Flexible functions, relatively low cost

- ILGRP did NOT advocate costly Auckland-style ‘Local Boards’
Principles for a better process

- The State government’s currently unfettered right to impose amalgamations and major boundary changes more or less at will should be limited.
- Any amalgamation or major boundary change should be preceded by careful analysis of the issues to be addressed and all the options available.
- There should be full community consultation (but not a *binding* referendum).
- The process should be handled by an expert, independent body (no politicians or serving officials).
- The Minister should only be able to accept or reject the recommendation of that body (no arbitrary changes).
Recommended process

• Establish ‘strong’ MAG with Sydney-based PMO
• Reconstitute Boundaries Commission and amend Act
• Sydney, Central Coast and Hunter councils to provide evidence-based responses to merger options for MAG (effectively the next Expert Panel)
  • Likely subsequent referrals to Boundaries Commission
• Establish non-metro JOs asap (amend Act)
• 64/89 non-metro councils to be progressively reviewed by Boundaries Commission 2015-2020
• Updated sustainability assessments and financial/asset plans for 38 non-metro councils by mid-2015
• Separate process for Far West with new joint authority (State-Local-Indigenous-Federal?)
Incentives for voluntary mergers

- Make it clear that ‘no change’ is not an option, and establish JOs.
- Introduce the **new process for considering boundary changes**.
- Task the Boundaries Commission with providing unbiased information for local communities about the pros and cons of mergers.
- Provide transitional funding, professional change management support to plan mergers, and expert consultants to assist councils with the **integration of rating and IT systems**.
- Allow an **increased number of councillors in the first two terms** to ensure adequate local representation during the transition phase.
- Introduce provisions for Community Boards as a new option to ensure democratic, community-level governance in large council areas.
- Ensure that the **accumulated reserves of a former council are retained** or expended primarily for the benefit of its area.
ILGRP proposed action to mid-2015

- **Legislation:**
  - Modify rate-pegging
  - Reconstitute Boundaries Commission
  - Revised guidelines for IPR and internal audit
  - Democratic LG protected in State Constitution

- **Finance**
  - IPART review of rating system
  - Facility (TCorp?) for low interest loans + advisory service
  - Incentives package for voluntary mergers + extend LIRS

- **Structural Reform**
  - All non-metro JOs established
  - Initial referrals (‘Group B’ rural-remote) to BC
  - Metro/Central Coast/Hunter councils report to MAG
  - Commence establishment of Far West Authority
‘Fit for the Future’

- Weak MAG and no dedicated Project Management Office
- Every council (except Far West) involved simultaneously
- ‘Scale and (strategic) capacity’ said to be threshold test, but:
  - Only generalised guidance and no definite criteria
  - Refers to non-existent ILGRP ‘recommendations’ (may mean the ‘preferred options’?) but councils can bypass them
- Strong focus on financial criteria:
  - Data problems and questionable methodology
  - No move to update the 28 sustainability assessments
  - Skills and governance capacity largely ignored
- JOs apparently a pale shadow of ILGRP recommendations
  - And when will councils know what they will actually do?
- Legal process beyond June 2015 is unknown:
  - Deficiencies in current Act may remain
Boundaries Commission criteria

- Financial advantages or disadvantages to the residents and ratepayers of the areas concerned
- Community of interest and geographic cohesion
- Historical and traditional values
- Attitude of the residents and ratepayers
- Requirements in relation to elected representation
- Provision of adequate, equitable and appropriate services and facilities
- Impact on employment
- Impact on rural communities
- Desirability (or otherwise) of dividing the resulting area into wards
- The need to ensure that the opinions of diverse communities are effectively represented
- Such other factors as it considers relevant to the provision of efficient and effective local government.
Key lessons from Qld and WA

- Sooner or later State governments lose patience and act
- Major structural change takes time
  - Careful thought and planning, extensive community consultation, sound State-local relations
  - It will be disruptive and costly, but as a general rule benefits can be expected in the medium term
- After a while, few communities want to go back (cf Victoria)
- Vital to maintain focus on clear strategic objectives
  - Don’t get lost in the detail
- Make sure the *legal* process is sound and capable of delivering the desired outcome
  - It’s not over until the last piece of the jigsaw is in place