Joint Submission to the Independent Local Government Review Panel

Botany Bay
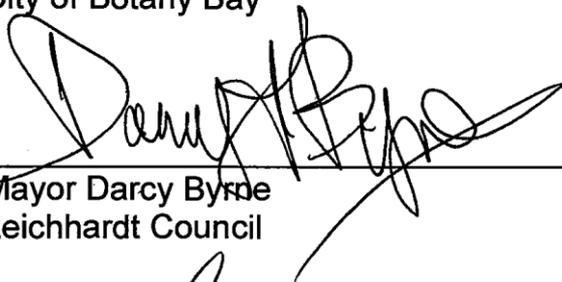Leichhardt
Randwick
Sydney
Waverley
Woollahra

May 2013

This submission is made on behalf of the Mayors of:
- Botany Bay
- Leichhardt
- Randwick
- Sydney
- Waverley
- Woollahra

Mayor Ben Keneally
City of Botany Bay

Mayor Darcy Byrne
Leichhardt Council

Mayor Tony Bowen
Randwick City Council

Lord Mayor Clover Moore
City of Sydney

Mayor Sally Betts
Waverley Council

Mayor Andrew Petrie
Woollahra Council

Introduction

Thank you for the opportunity to make a submission in response to "Future Directions for NSW Local Government: Twenty Essential Steps".

This submission is made on behalf of six of the Mayors of the seven existing council areas that the report proposes to group together into a single "super Sydney council area[i].

These six Councils represent a diversity of social and economic conditions, governance structures, sizes and political perspectives. However, we share a strong conviction that local government best serves its communities when it is truly "local" in character.

We firmly believe that the proposed super Sydney Council would lose this "local" character and would not deliver any meaningful benefits to the communities we serve. Nor do we believe this proposed amalgamation would make any difference to Sydney's ability to compete as a global city. We do not believe that the Panel has put forward a compelling, evidence-based case for change, let alone a true business case that demonstrates the significant transition costs would be outweighed by the benefits. The case as put forward by the Panel is one-sided and lacks any consideration of the risks of change.

We therefore wish to make clear that we have no interest in a merger as proposed by the Panel, nor do we support a county council model for the region along the lines proposed in the Panel's report.

This joint submission will focus on the issues of amalgamations and regional structures. It contains four parts. We commence by considering the purpose of local government. This provides context for our assessment of the case for amalgamation as made by the Panel. We then consider the alternatives to amalgamation and the importance of community involvement and decision-making in any major changes to local government. The submission does not address the other reforms suggested by the Panel. Each individual council will make a submission with respect to the other matters raised in the report.

1.   **The Purpose of Local Government**

We believe that consideration of reform in local government should start by identifying the purpose of local government. It is meaningless to argue about how local government should be structured if we do not have a clear view on why we even have local government. The Panel has not been clear on this point.

The six councils represented in this submission believe that fundamental role of democratically elected local councils is to provide leadership and governance for their area. Local government is not just an administrative outpost of the State Government to deliver services delegated to it by the state.

Local Government is the level of government closest to the community and must have the authority and capacity to identify community needs and aspirations; to set strategic priorities; and to develop effective plans to implement them.

Through the ability to exercise democratic control over shared spaces and shared services, individuals develop their community pride, their sense of community responsibility and their capacity for responsible self government. Without meaningful local control, individuals feel less sense of ownership and responsibility and retreat to defending their personal short-term best interests. When communities feel they lack control over their place, public spaces suffer, volunteering declines and neighbourhood disputes become more intense.   As councils, our focus on place management, local amenity, local community services, public domain and local community building reflects our desire to deliver meaningful local control over the places in which people live.

This understanding of the purpose of local government helps to explain our concerns regarding amalgamations. Amalgamations into large local government areas of 600,000-800,000 residents will inevitably lead to a reduced sense of local control. Decision making will become more remote from residents and ratepayers, opportunities for direct contact with political leaders and senior staff will be reduced, and the sense of common interest with fellow residents will be diminished. The proposed "super Sydney" area would extend from Point Piper to La Perouse and from Dulwich Hill to Dover Heights. Apart from a shared interest in the CBD of Sydney (a shared interest that extends well beyond these boundaries), these suburbs have no common interest on which to construct a shared identity.

Local government is "local" for a reason. It builds on shared interests and shared spaces to enable communities to function and grow effectively. If we lose the "local" from local government, then we also lose its effectiveness as a mechanism for creating civil society.

2.   Responding to the case for amalgamations

The Panel has put forward a number of arguments to support its case for amalgamations. These arguments are characterised by a complete lack of evidence. In some cases, the evidence cited does not apply to the "Global Sydney" councils. And the specific arguments made for the "super Sydney" council are specious and weak. In this section, we respond to each argument put forward by the panel.

Argument 1: The concept of strategic capacity highlights this aspect of reform: The need for councils … to have the ability to respond to the diverse and changing needs of different communities, and to take on new functions or deliver improved services to meet those needs … implies a move to larger, more robust organisations that can generate increased resources through economies of scale and scope and then "plough back" efficiency gains … (p8)

Response: This is perhaps the single clearest statement of the theory that underlines the case for amalgamation: the need to build strategic capacity. It also demonstrates quite clearly, that the case for amalgamations is fundamentally built on the proposition that amalgamations deliver financial efficiencies. The Panel has failed to cite any data in support of this theory. Once you account for population density and remove very small Councils from the comparison, there is no correlation between size and efficiency or between size and achievement of outcomes[ii].

The following evidence indicates that amalgamations do not always deliver financial benefits:

- In 2021/22, Auckland Council will have had 12 years to deliver financial efficiencies, yet it is expected that its gross debt will have risen to $12,695,212,000.

- The NZ Auditor General found in a recent report (*Auckland Council: transition and emerging challenges*, December 2012) that this debt could be increased further if some of the assumptions the Council has made in its long term plan (LTP) are incorrect. EG, an important component of Auckland Council's financial strategy is the assumption that central government will provide $1.2 billion for the City Rail Link project (which has a total cost $2.86 billion, after allowing for the sale of surplus land) and that $344 million of funding for transport projects will come through sources not currently used (and some that are currently not allowed by legislation). At the time the LTP was completed, there was no final agreement with central government on either of these assumptions, which are disclosed extensively in the LTP as high-risk assumptions.

- There are also indications in the research that assumptions about the financial superiority of amalgamated councils may be incorrect. *The Future Governance of the Auckland Region: A discussion paper on amalgamation: lessons from international experience,* prepared by the Local Government Centre, AUT University, March 2008 found that '"before and after" research into the effects of forced amalgamations provides considerable evidence that ex-ante studies typically under estimate the costs of organisational change in both financial and non-financial terms, largely because of a failure to make sufficient allowance for factors such as incompatible systems, the need to build new systems to cope with larger scale, the merging of different organisational cultures (a much more difficult matter in local government than in the private sector) and the sheer complexity of building large multifunctional organisations.'

The Panel's proposition is flawed. Once you account for population density and remove very small councils from the comparison, there is no correlation between size and efficiency or between size and achievement of outcomes[iii].

Argument 2: There is simply not enough revenue or sufficient numbers of skilled staff to sustain 152 Councils across NSW (p9)

Response: The panel provides no data regarding the alleged shortage of skilled staff. Nor is any evidence provided that amalgamation would lead to less demand for town planners or civil engineers. The revenue problems of local government are well understood and result from years of rate pegging. The new process for a special rate variation provides sufficient flexibility for councils in metropolitan Sydney to meet their revenue needs.

Argument 3: …the financial and other challenges facing councils cannot and should not be resolved simply by increasing grant support: taxpayers cannot be expected to support Councils that are unnecessarily small … (p9)

Response: While the robustness of the TCorp analysis is disputed, that analysis found that the financial sustainability of six of the seven councils proposed for amalgamation into "Global Sydney" was rated "moderate" or better. All Councils supporting this submission believe they are financially sustainable in the long term, especially with access to special rate variations. While there may be a case for reform in some parts of the state based on financial sustainability, that argument does not apply to all of Local Government.

Argument 4: In metropolitan areas, amalgamations … will be needed to establish a system of local government that has the capacity to be a real partner of State and federal governments … (p9)

Response: No evidence has been provided that larger local government areas are more able to work effectively with state and federal government. Existing large councils in western Sydney cannot point to better outcomes with state governments as a function of their size. While it may be true that fewer councils would be easier for the state and federal governments, this is not a justification. Councils exist to support the legitimate aspirations of the community, not for the administrative convenience of the State.

This issue is not solved by changing the size of councils, but by fixing the relationships of cooperation and coordination, shared understanding of roles and agreed action within areas of responsibility.

Argument 5: Without changes to council boundaries there will be an increasingly severe imbalance in the structures of local government between eastern and western Sydney (p44)

Response: The "Case for Change" paper similarly argued that "imbalances" in the size of metropolitan councils "cannot be justified". In both papers, the Panel provided no basis for the assertions that this imbalance needs to be corrected and that the correction needs to be achieved by way of amalgamation rather than by de-amalgamation. There is no theoretical or practical reason that councils should be of a more uniform size.

Argument 6: …the Panel sees a need for a greatly expanded City of Sydney that will anchor metropolitan local government and typify "Global Sydney" … a truly "global city". …

Response: This argument is vague, probably due to its lack of substance. Sydney is already internationally recognised as one of the world's great cities. Indeed there is no relationship between international recognition of Sydney as a global city and the size of its local government area.

Rather, it is the truth that for several years, Sydney has been recognised as a global city. It consistently is placed near the top of the major global city lists.

Since 2008, A.T Kearney, with the Chicago Council on Global Affairs and Foreign Policy magazine, has produced the biennial Global Cities Index[iv]. Sydney has been acknowledged as a global city by this index since its inception in 2008, as Table 1 shows. Its ranking as a global city increased considerably from 16 in 2008 to 9 in 2010. It has dropped slightly to 12 in 2012, as have some other western cities, including Toronto, Berlin and San Francisco.

Table 1:   The world's top global cities

Rank 2012	Rank 2010	Rank 2008	Cities
1	1	1	New York City
2	2	2	London
3	4	3	Paris
4	3	4	Tokyo
5	5	5	Hong Kong
6	7	6	Los Angeles
7	6	8	Chicago
8	10	9	Seoul
9	11	13	Brussels
10	13	11	Washington DC
11	8	7	Singapore
12	9	16	Sydney
13	18	18	Vienna
14	15	12	Beijing
15	19	29	Boston
16	14	10	Toronto
17	12	15	San Francisco
18	17	14	Madrid
19	25	10	Moscow
20	16	17	Berlin
21	21	20	Shanghai
22	22	33	Buenos Aires
23	20	21	Frankfurt
24	26	n/a	Barcelona
25	24	26	Zurich
26	29	23	Amsterdam
27	23	24	Stockholm
28	28	30	Rome
29	27	27	Dubai
30	31	n/a	Montreal

In 2010, Loughborough University's Globalization and World Cities Research Network produced a ranking of the world's major cities. The top ranking of Alpha++ was achieved only by London and New York. Along with only 7 other cities, Sydney achieved the second highest ranking of Alpha+.

In June 2010, PricewaterhouseCoopers produced a Report entitled *Sydney: Australia's global city*, for the Sydney Business Chamber. It stated that the research indicated that Sydney is already perceived as Australia's only global city.[v]

The Knight Frank Global Cities Survey, published by Citi Private Bank, monitors "city-level power shifts by assessing global markets for investment opportunities and influence on business leaders worldwide".[vi] It examines four key themes: economic activity; political power; quality of life; and knowledge and influence. To create each ranking the survey "scoured the world of open academia and research and analysed the results of the most authoritative studies from the likes of the Economist Intelligence Unit and the United Nations." Its 2013 survey of the top 40 global cities placed Sydney 7th in its overall rankings. Table 2 below shows Sydney's rankings in the individual categories.

Table 2: Knight Frank Global Cities Survey

	Overall rank	Economic	Political	Quality	Knowledge
Sydney	7	17	12	3	7

As Table 3 shows, the population size of the city local government area does not necessarily determine a city's global status. There are many more factors at play. Sydney, in particular, and Melbourne with their smaller city council populations are both far ahead of "super councils" Brisbane and Auckland in the global city stakes.

Table 3: Comparison data for Sydney, Brisbane, Auckland & Melbourne

City Council	City LGA population	Area	Global Cities Index 2012	GaWC 2010	Knight Frank Global Cities Survey 2013
Sydney	169,501[vii]	26.15 km^2 [viii]	12	Alpha+ (2nd category)	7
Brisbane	956,131[ix]	1338.1 km^2 [x]	-	Beta– (7th category)	-
Auckland	1.5m [xi]	4,894 km^2 [xii]	-	Beta (6th category)	32
Melbourne	96,552 [xiii]	37.6 km^2 [xiv]	32	Alpha– (4th category)	22
London	7,400[xv]	2.9 km^2 [xvi]	2	Alpha++ (1st category)	2
New York City	8,175,133[xvii]	305 miles^2 [xviii]	1	Alpha++	1

Argument 7: Sydney's future economic growth and international status will rest increasingly on having a central local government that, like Brisbane and Auckland, has the scale and capacity appropriate to global aspirations. (p45)

Response: No evidence is provided for the claim that local government boundaries and structures are critical to the ability of a metropolitan area to compete on the world stage. Indeed, it is risible that no mention is made of Sydney's major local competitor – the City of Melbourne – which has a local government population of a similar size to the City of Sydney.

Argument 8: The panel also sees considerable benefits in sharing the wealth and revenue base of the Sydney CBD across a much wider area. …the new city would have capacity to undertake major projects such as light rail … from its own resources. It may also be able to assume responsibility for some State-managed facilities …(p45)

Response: It is extraordinary that following a long discussion of the financial challenges of local government, the Panel should suggest that further cost shifting of State Government responsibilities would be a benefit of amalgamations.

In summary, we do not believe that a compelling case for amalgamation into a "super Sydney" council has been made. The case as provided lacks evidence. No single, tangible benefit for our residents and ratepayers has been identified. We do not believe there is a sufficient community of interest across these seven local government areas. We therefore will not be engaging in a merger as proposed.

3. **Alternatives to Amalgamation: County Councils and ROCs**

We note the Panel's comment that:

The Panel is concerned, however, that on current indications there is little likelihood of voluntary amalgamations occurring on the scale required … to deliver the strategic outcomes that are needed to address future challenges. This applies especially in the Metropolitan area and is one of the reasons why the Panel has explored the option of County Councils.

We believe that Regional Organisations of Councils (ROCs) remain the best tool to capture the benefits of regional level organisation. ROCs are already capturing scale benefits in purchasing and providing a regional level interface for partnering with State and Federal Government. Some ROCs are beginning to experiment with shared service provision. This approach allows the benefits of scale to be captured without losing the benefits of local control and accountability.

We are concerned that the proposed County Council model represents a "stealth amalgamation process" where the County Council would swallow up the vast majority of key local government functions. The proposed County Council model is quite different to a ROC. The proposed model makes the County Council superior to local councils, rather than a shared service provider to the local council.

The proposed county council model, as with the proposal for amalgamated councils with local boards, bears a superficial resemblance to models in some international jurisdictions that involve regional and local levels of governance (eg the Greater London Council and the London Borough Councils, Auckland Council etc).

However, these comparisons are invalid because the regional level councils in these examples typically have much greater service delivery, planning and infrastructure responsibilities than are proposed by the Panel. We see no benefit in creating a fourth level of government unless this is accompanied by a significant devolution of responsibility and funding from State Government to the proposed regional level of government. In the absence of such a realignment of responsibility, the ROC model should be preferred.

4. The Proposal for Local Boards

We do not support the Panel's suggestion that local boards could provide for local representation. This is another example of an idea that is under-developed. The establishment of 21 local boards in Auckland has resulted in the city having 170 elected politicians: 149 elected Local Board members, plus the Mayor and 20 Councillors.

The Boards have limited authority and cannot own property or employ staff. Consequently, they are seen as being weak and nothing more than a sop to local sensibilities.

This demonstrates the inevitable dilemma with this proposal. Establishing local boards with little power or responsibility, and no resources to take action on behalf of their communities will be little more than an attempt at symbolic amelioration. Yet establishing boards with authority and resources would create a fourth tier of government and an additional layer of bureaucracy.

5. Ensuring the Community has a Voice in Reform

The six councils are united in their view that any major reform of local government structures and boundaries should be done democratically. That is, there should be a clear process for allowing residents and ratepayers to be heard. These views must be considered and taken into account. We are deeply concerned that the Panel's recommendations include no provision for this.

Summary

The six councils that are signatories to this joint submission reject the arguments for amalgamation into a "super Sydney" Council. We believe that such a council will be too large to deliver meaningful local control for local residents over the places in which they live.

We are committed to working through our ROC to ensure we capture those scale and partnership benefits that are available and we are committed to ensuring our local communities are heard if this proposal progresses any further.

References

[i] Please note that at this stage Marrickville Council is waiting for the results of its survey before taking a firm position

[ii] *Sydney's Liveability Crisis – Reforming Local Government, Urban Taskforce Australia, pp 21-22.*

[iii] *Sydney's Liveability Crisis – Reforming Local Government, Urban Taskforce Australia, pp 21-22.*

[iv] *2012 Global Cities Index and Emerging Cities Outlook*, A.T. Kearney & Chicago Council on Global Affairs, 2012

[v] *Sydney - Australia's global city*, PricewaterhouseCoopers, June 2010, P6

[vi] Knight Frank Global Cities Survey, Citi Private Bank, at http://my.knightfrank.com/research-reports/the-wealth-report.aspx Downloaded on 8 May 2013

[vii] National Regional Profile: Sydney (Local Government Area), Australian Bureau of Statistics, 2011

[viii] Sydney Facts & Figures, City of Sydney website at http://www.cityofsydney.nsw.gov.au/learn/research-and-statistics/sydney-facts-and-figures/sydney-facts-and-figures, as at 10 May 2013

[ix] National Regional Profile: Brisbane (Local Government Area), Australian Bureau of Statistics, 2011

[x] Brisbane's Key Economic facts, Brisbane City Council website at http://www.brisbane.qld.gov.au/about-council/governance-strategy/economic-development/economic-development-program/brisbanes-key-economic-facts/index.htm as at 10 May 2013

[xi] Auckland Council 2011/12 Annual Report

[xii] Wikipedia at http://en.wikipedia.org/wiki/Auckland_Council as at 10 May 2013

[xiii] National Regional Profile: Melbourne (Local Government Area), Australian Bureau of Statistics, 2011

[xiv] City of Melbourne Profile, City of Melbourne Council website at http://www.melbourne.vic.gov.au/AboutMelbourne/MelbourneProfile/Pages/CityofMelbourneprofile.aspx as at 10 May 2013

[xv] *City of London Resident Population*, UK Census, City of London Corporation website, as at 10 May 2013

[xvi] City of London website

[xvii] New York City population, USA Census Bureau, 2010

[xviii] Report to the New York City Charter Revision Commission, June 2010, at http://www.council.nyc.gov/downloads/pdf/June_2010_Charter_Report.pdf, as at 10 May 2013