



STRENGTHENING COUNCILS
RESTORING CONFIDENCE
BUILDING BETTER COMMUNITIES

LOCAL GOVERNMENT REFORM



The Voice of Leadership



OUR VISION FOR LOCAL GOVERNMENT

At a local level, we see:

- + better resourced and financially stable councils
- + transparent decision-making that reduces frustration
- + forward-thinking professionals who respond to community needs

Regionally, we envisage:

- + fewer, larger and stronger councils
- + modern council boundaries that reflect today's ways of travel, business and recreation
- + transport and infrastructure hubs that are not dissected by multiple councils
- + consistent planning decisions that alleviate congestion, noise and pollution

At a state level, this would mean:

- + a local government sector that can provide long-term solutions to population growth
- + operational efficiencies that increase state productivity, attract investment and grow jobs
- + a robust sector that attracts the right people through appropriate pay, promotion and career advancement

THE CURRENT REALITY

- 1 Too many councils** NSW has more councils, servicing fewer people, than our competitor states. NSW's 152 councils service an average of 47,000 people, whereas Victoria's 78 councils service an average of 70,000 people and Queensland's 73 councils service an average of 60,000 people.¹
- 2 Outdated boundaries** Council boundaries were drawn up more than 100 years ago², and today key commercial centres and transport corridors are sliced by outdated boundaries. For example, the Pacific Highway from North Sydney to Hornsby runs through at least four councils, Parramatta Road runs through at least eight, and St Leonard's Station sits at the intersection of three councils.
- 3 Lack of resource sharing** Most councils do not work together to perform common tasks, such as waste disposal or local road works. A recent report found that councils provided 55 different types of rubbish bin configurations and collection frequencies across the state³. This leads to obvious inefficiencies, increased costs and reduced negotiating strength.
- 4 Poor planning** Sydney's Metropolitan Plan has not been embraced at a local level. State and local governments have been slow to implement the standard Local Environmental Plan (LEP) template. Many of the LEPs that have been finalised do not embody the growth targets set in the Metro Plan.⁴ Some councils produce Development Control Plans (DCPs) that actively undermine state growth objectives.
- 5 Lack of leadership** Councils are seen as lacking strong leadership and vision. Development proponents do not have confidence their application will be assessed efficiently and professionally. Local residents don't feel engaged in the discussion about the inevitable growth and change of their communities.

6 Financial instability

Councils are financially unstable. In 2006 the Percy Allen report concluded that only one in four councils were financially stable⁵. A 2008 review of the financial policies of the largest 100 councils in NSW concluded that 19 were 'vulnerable' and 35 were 'unsustainable'⁶. The most vulnerable councils are rural ones.

7 Choked revenue

Rate pegging chokes revenue. As IPART concluded, rate pegging diminishes the financial viability of local government, stifles the ability to raise debt, limits the growth of rate revenue and increases infrastructure backlogs⁷. NSW is the only state in the country to retain rate pegging.

8 Over reliance on development levies

Development levies are far too high. They restrict development activity and decrease housing affordability. They are inequitable, making new home buyers pay for infrastructure despite benefits accruing to others. There is no consistency between councils about the methods to calculate levies. And they are not spent effectively – a 2010 audit of unspent levies concluded that approximately \$560 million had not been spent.⁸

9 Infrastructure deficit

Local government has a \$6.3 billion infrastructure deficit. This will grow to \$21 billion within 15 years. Local government will need to fund an additional \$900 million each year to close the gap on its infrastructure backlog.⁹

10 Shortage of skilled professionals

Councils find it difficult to attract and retain skilled staff. There is a growing shortage of planners, engineers and accountants, which will intensify as they reach retirement age¹⁰. The skills shortage is worse in regional and rural councils.

WHY IS REFORM NECESSARY?

1 Our way of life has changed

Most councils were formed more than one hundred years ago – before the car, mobile telephone and internet. Our way of life has changed dramatically since then but in many ways councils have struggled to make the transition to the 21st century.

2 Our expectations have changed

Historically, councils were responsible for the 'three Rs' – roads, rubbish and rates. Over time, council functions have expanded and now cover at least eight 'Rs': roads, refuse, regulation, recreation, relief, regionalism, retail and rate collection.

We now expect councils to provide an even greater range of services, including child care, youth services, aged and disability care, and migrant and Aboriginal services .

3 The way we use councils has changed

Once, our world was local – we may have lived and worked in our council area, paid our council rates in person, attended a dance in the public hall, borrowed a book from the local library or attended a meeting at the town hall.

Now, our world is global – most of us no longer work in our local government area, we use the internet to pay council bills, we participate in local interest groups on-line, and we do not rely so much on our local council for recreation and culture.

4 Our population has changed

Our population has changed radically since the formation of our local councils and will continue to grow. In the Sydney metropolitan area alone, the population is expected to reach six million by 2036 – an increase of 1.7 million. The city will need 760,000 more jobs and 770,000 more homes, all connected by efficient transport and infrastructure.¹¹

This will put an added burden on councils. They will need to provide more waste disposal, library, childcare and youth services. They will face an increase in the number of rating assessments, development applications and public enquiries. Planning instruments will need to deal with more people using roads, pavements, parks and bushlands.

STRONGER COUNCILS WOULD MEAN:

Vibrant local communities



More local initiatives



Coordinated provision of infrastructure



Better open spaces



Stronger local economies



Increased local services



SOME OPTIONS FOR THE FUTURE

The Auckland model

The Auckland Council began operating on 1 November 2010, combining the functions of the region's seven previous city and district councils into one "super council". It is governed by a mayor, 20 members of the governing body and 148

members of 21 local boards. It is the largest council in Australasia, covering 637km². It has a population of 444,100 people, a \$3 billion annual budget, \$29 billion of assets and about 6,000 staff.

The Brisbane model

Brisbane City Council is Australia's largest local government area. It covers 1,367 square km, represents more than 435,000 ratepayers and has a workforce of more than 7,000.

It has achieved the following:¹²

- + Construction of the Clem7 tunnel, a 4.8 kilometre tolled tunnel linking Bowen Hills in the city's north and Woolloongabba to the south, allowing motorists to bypass 24 sets of traffic lights.

- + Construction of the Go Between Bridge linking Milton to South Brisbane, providing four additional vehicle lanes across the Brisbane River, as well as dedicated pedestrian and cycle paths.
- + Construction of two new ferry terminals in Hamilton and Teneriffe.
- + Investment of \$16.9 million in new bikeways and the launch of City Cycle – a public bike hire scheme.
- + Investment of \$9 million over three years to establish an expert unit to reduce traffic congestion in Brisbane.

The Gold Coast model

In 1994, the Gold Coast City Council and the Shire of Albert were amalgamated to create the Gold Coast City Council. The Council now has a population of 515,157 which is expected to grow by 13,000 to 16,000 people per year. It is the second largest local government in Australia and employs more than 2500 staff.

It has achieved the following:

- + A program for road network improvements including major roadworks of \$35.3 million, road reseals of \$17.5 million, bikeways of \$4.3 million and a program for improvements to rural bridges of \$2.2 million.

- + A program for parks and recreation including major open space development of \$5.5 million, tree planting of \$1.0 million, park asset renewal of \$3.3 million and major sporting areas of \$3.1 million.
- + A community facilities and infrastructure program (libraries, community centres and aquatic centres) of \$13.3 million as part of a four year program of \$111.6 million.
- + Funding of \$26.5 million towards the continuation of Council's Economic Stimulus initiative.

Smaller councils...

- + duplicate the provision of services of other councils
- + have a lower funding base
- + are more susceptible to financial instability
- + have a thinner pool of professional skills
- + are unable to take advantage of economies of scale

Larger councils...

- + are able to draw from a more diverse funding base
- + are able to fund important social and critical infrastructure
- + have lower administrative costs
- + have increased purchasing power
- + are able to attract talented professionals

Source: KPMG, Sydney First – Governance Arrangements for Sydney's Local Government Authorities, 2009

THE SIZE AND SHAPE OF COUNCILS

“ In cities that have many small councils there may be merit in a national and community discussion involving all levels of government on reforming Local Government through the creation of larger entities that can plan, finance and coordinate over larger population areas, and achieve greater economies of scale in service delivery and asset management. ”
Department of Infrastructure and Transport, National Urban Policy, *Our Cities – Building a Productive, Sustainable and Liveable Future*, 2010



RECOMMENDATIONS

1

Review of local government

- + The state government should appoint a respected individual to conduct a public review into local government.
- + The review should consider the optimal size and shape of councils, efficient delivery of services, the proper functions of councils, and improved governance structures.
- + The review should also consider a model for establishing councils as local parliaments. A key feature of the model would be the application of the separation of powers doctrine to key local government activities.
- + The findings should be reported to NSW Parliament within twelve months.

2

Rethink the size and shape of councils

- + The public review should rethink the optimal size and shape of councils.
- + The state government should offer financial incentives to assist councils to amalgamate voluntarily.
- + The Property Council of Australia has previously recommended amalgamation in Sydney from 44 to 12 councils.
- + Council boundaries should be redrawn to reflect key transit corridors and commercial centres. This would allow for unified and consistent decision-making across multiple regions.

3

Greater resource sharing

- + The state government should undertake a functional analysis to determine which of the services that councils deliver should be shared by multiple councils.
- + This should include, where necessary, offering financial incentives to councils wanting to share services with neighbouring councils.
- + Potential services could include waste disposal, water, sewage, street lighting and road maintenance.

4

Better planning

- + Retain independent planning panels as a key plank of the State's planning system.
- + State and local government should finalise the rollout of the standard LEPs as a matter of urgency and should ensure that they are strategic growth instruments, rather than a translation of existing development controls.
- + State government should undertake feasibility testing of standard LEPs to ensure they will unlock the housing and employment growth needed in a given area.
- + Councils should be prevented from imposing unreasonable and unworkable local controls through DCPs.

5

Stronger leadership

- + Councils need to communicate with their constituents to turn the challenges of growth into an opportunity to revitalise local areas, reduce car use, promote local businesses and create better public places.
- + Strong leadership is needed within councils to inspire a 'can do', positive culture within the local government sector.

6

Abolish rate pegging

- + The state government should abolish rate pegging.
- + This should be done after council amalgamations and subject to compliance with a Fiscal Responsibility Framework.
- + The abolition of rate pegging should be linked to a decrease in development levies and should include provisions to allow responsible borrowing to fund long-life infrastructure.

- 7 Spend development levies**
- + Development levies should be capped in the short-term and abolished in the long-term.
 - + Councils must spend development levies in full and on time.
 - + If not, the state government should introduce a 'use it or lose it' provision where unspent levies which exceed a set benchmark are seized by the Local Government Grants Commission for reallocation.
 - + Until levies are spent in full, the state government and councils should commit to no new development levies to fund infrastructure.
- 8 Find alternative sources of funding**
- + The state government should trial the use of alternative sources of funding, such as Growth Area Bonds, to finance infrastructure works.
 - + Growth Area Bonds are repaid from the incremental increases in property taxes that would be generated by the new infrastructure in the area.
 - + The Property Council of Australia can provide more information on how this works.¹³
- 9 Infrastructure renewal**
- + The state government should establish a scheme to help finance the renewal of council infrastructure post amalgamation.
 - + The scheme should include an audit of council infrastructure, an annual benchmark of the appropriate level of council gearing, and a clear assessment, approval and repayment system.
- 10 Invest in people**
- + The state government should introduce reforms to increase the leadership and professionalism of local government, such as provisions for mayors to serve four year fixed terms, serve full-time and have salaries equivalent to that of a NSW cabinet minister.
 - + This should include enhanced training opportunities for council officers, including courses on the economic fundamentals of project development to appreciate that planning delays can cause a project to be financially unviable.
 - + There should be increased investment in trainees, apprentices and cadets to expand the pool of skilled local government employees.

References

- 1 Australian Bureau of Statistics, Regional Population Growth 3218.0, 30 March 2010
- 2 The first local council boundary, City of Sydney, was drawn in 1842. The number of councils in NSW peaked at 324 in 1910 but subsequent mergers reduced it to 152.
- 3 David Richmond, Strategic Directions and Implementation Plan 2011 to 2015, 2010
- 4 Five years after the launch of this initiative, only 25 councils have finalised their new LEPs, Minister for Planning, Significant Milestone Reached for NSW Planning Controls, 28 September 2010
- 5 Percy Allan, Independent Inquiry into the Financial Stability of NSW Local Government, 2006, page 13
- 6 Fiscalstar, The Financial Stability of the Existing Financial and Infrastructure Policies of NSW Councils, July 2008
- 7 Independent Pricing and Regulatory Tribunal (IPART), Revenue Framework for Local Government Final Report, December 2009
- 8 Property Council of Australia, Audit of Unspent Council Levies, December 2010
- 9 Percy Allan, Independent Inquiry into the Financial Stability of NSW Local Government, 2006, page 13
- 10 Ibid.
- 11 NSW Government, Metropolitan Plan for Sydney 2036, December 2010
- 12 Brisbane City Council website, <http://www.brisbane.qld.gov.au/>
- 13 Property Council of Australia, Growth Area Bonds – New Solutions for Funding Infrastructure, 2010

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