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The Fit for the Future process is a discussion on appropriate council size and composition.

The question is whether current council operations can be improved and if there is economic efficiency. During community consultation in the northern beaches area of Sydney, I became an advocate for the option 2 proposal, of two northern beaches councils. My reasoning was as follows;

1. It is clear the process was politically pre-determined to result in change.
2. The minister for planning and the NSW Premier live in the region and cannot advocate change for others and avoid it themselves.
3. Pittwater's secession from Warringah is within living memory of most residents and the reasons supporting that secession remain valid.
4. Warringah council has a poor record, having been dismissed multiple times, most recently emerging from administration only a few years ago.
5. If change is inevitable, and the proposal for a single amalgamated northern beaches council is flawed on multiple levels, two councils would be vastly preferable to one.
6. If the desire is to drive efficiency and productivity gains, it makes sense to abolish the dysfunctional council (Warringah) and change the boundary of neighbouring councils (Pittwater and Manly) to provide those affected residents with improved governance.

During the community debate on this issue, my view did not prevail, with a majority of residents surveyed in a random phone poll choosing no change as their first preference. The two council option (option 2) was only favoured as a second preference. The single council option (option 3) was the least favoured option without majority support.

Being a firm believer in the democratic process, I acknowledge the views of my community and being aligned in my position against a single large council, submit the following observations to IPART for consideration as part of this process.

Pittwater council is a well run administration, operating responsibly with a well managed budget. It is positively considered by residents of the LGA.

There is no basis of evidence to support larger LGA's as leading to better outcomes, economically or socially. There are forecasts and assessments that show projected savings, but no evidence of where it has actually been done.

As a participant in the NSW Government funded Future Cities program in 2014 (run out of the US Studies Centre at University of Sydney) I was a self funded participant on a study tour to the USA, looking at local and regional planning. The USA is a country with significantly larger population and potential for larger scale government,

but many of it's LGA's have smaller area and population sizes, and manage more services such as education, police and fire departments.

The theory of economy of scale is based on manufacturing scale, not social scale. Democracy is about representation, increasing ratios of voters to representatives dilutes democratic representation. It also increases the influence of political party control of LGA's, with less direct contact with elected officials increasing reliance on party political structures as residents have less contact with representatives. Pittwater councillors are independently elected through direct community contact, not party affiliated.

There is no real world evidence to suggest that efficiencies of scale will be delivered. Theoretical improvements are unproven and the assumptions are questionable. The 2015 KPMG report into merger options for Manly, Warringah and Pittwater councils showed potential savings that were extremely modest (around 1%) of total expenditure in NPV per annum over a ten year period. Further, the savings assumed no progress by any of the councils to improve operating efficiency. Further, the monetary benefits do not measure non monetary impacts, such as maladministration and loss of representation.

LGA	2014/15 Expenditure
Warringah	\$200.1m ¹
Manly	\$135.5m ²
Pittwater	\$39.5m ³
Total	\$375.1m
KPMG forecast savings (option3 single council)	NPV \$3.5m pa (0.9%)

1. <http://www.warringah.nsw.gov.au/your-council/about-council/media-releases-and-information/media-release-council-passes>

2. http://www.manly.nsw.gov.au/IgnitionSuite/uploads/docs/OM_28042014_AGN_AT_EXTRA.pdf

3. http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Council_Portal/Applications/FFTF_2015/Pittwater_Council?ot=LG_FFTF_Proposal

There is a direct comparison, Pittwater was formerly part of Warringah. Administration was poorly managed for Pittwater's needs, leading to the split. Warringah administration led to inappropriate development decisions within the Pittwater LGA. Lack of representation led to spending decisions that did not fairly reflect the taxation of residents. The larger LGA also led to maladministration, with Warringah having been sacked by the state government three times in its history, most recently in 2003, with administration lasting until 2008.

Larger government results in larger budgets and spending decisions driven by political ego. Smaller government with smaller taxation boundaries restricts the ability of elected officials to embark on lavish expenditure programs that are not required or of little practical use for local taxpayers. Larger LGA's have higher borrowing capacity and a larger capacity for risk of maladministration and the subsequent damage is much higher. Smaller LGA's result in a lower risk profile and are not too big to fail. How does a state government practically place a large regional LGA under administration? It would be politically impossible, and the potential economic fallout of maladministration could impact state finances, and the state economy.

Innovation in government is easier at a smaller scale. Our systems of government represent a proven, but centuries old model of centralised power and beauracracy. In a globalised world, technology innovation is driving significant change in business and social systems. Government is struggling, operating at a completely different pace to the world around it. Smaller LGA's can be considered the start-up ecosystem of government, where an entrepreneurial spirit can allow experiments and trials in governance that can be implemented at a small scale and allowed to fail fast. This is a lean startup approach to government, that would not be possible at a larger governmental scale. Experimentation and innovation requires direct community engagement and buy in to proceed. Pittwater is at the forefront of this, with urban planning and place making programs that have been driven by a community engagement process not possible at a larger scale.

Large bureaucracy is demonstrated to lead to inefficiency. The theory of diminishing marginal utility can be applied to government staffing. The assumption of savings made by combining back office functions is unlikely to be realised in practice, and no evidence exists to prove it would happen. In a smaller LGA, staff are more directly responsible for outcomes and have less opportunity to be inefficient. In a larger LGA, any staff savings achieved by combination of functions would then subsequently be lost as the overall larger staff base would result in lower direct accountability for outcomes, and natural inefficiency of human social interactions and the "somebody else's problem" theory of workplace hand offs. As soon as a bureaucracy is large enough to have multiple roles for functions, productivity plummets.

Economic savings can be achieved through regional cooperation, which is already happening through the SHOROC organisation for Mosman, Manly, Warringah and Pittwater. The fit for the future process has been a distraction as disputes over amalgamation has led to reduced co-operation. A regional organisation such as SHOROC allows LGA's to retain appropriate representational scale, while achieving economic scale. The required commercial model also drives natural market efficiency as each inter-organisation transaction must have a commercial basis that would not be required if those transactions were internal to one organisation. Thus it drives greater market efficiency than a single LGA. This is an example of innovation and commercial experimentation that would not be possible at a larger governmental scale.

Larger scale works against the interest of local economies. Central procurement functions require a scale that works against the ability of localised suppliers to meet procurement requirements. Having worked for large organisations, I have seen first hand that I could repeatedly source products and services, from airfares to stationery at lower cost than a centrally procured relationship. This is because the overhead required to provide services to a scaled organisation removes competitive local suppliers from the procurement process. Scaled government procurement requirements, such as tenders, risk assessment criteria, etc are impractical for smaller organisations to participate in as suppliers. SO larger LGA's will damage local economies as centralised government spending moves to larger suppliers, likely multi-national companies with profits moving offshore. It is against our national interest.

The only argument for larger scale is to drive efficiency and productivity. To believe that a single northern beaches council would achieve these benefits ignores the human element of economic theory. Combining all northern beaches councils would place Warringah at the heart of the union, and immediately create dysfunction and community conflict. As the 1991 Boundaries Commission report noted prior to the secession of Pittwater (page 13) "*unless the Pittwater issue is decisively resolved, councils administration may well be disrupted and divided well into next century*". The evidence of history is clear, quite possibly the region could become ungovernable and result in exactly the opposite of the intended outcome. It would derail any potential improvement in efficiency and productivity. Plans rely on rational behaviour and predictable outcomes. **This process will deliver neither.**

Kind Regards,

Dale Cohen