

Councillor Tom Sherlock

IPART  
Level 15, 2-24 Rawson Place  
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Dear IPART

**Submission on the Methodology for Assessment of Council Fit for the Future Proposals**

It seems to me that the present methodology is profoundly flawed in a number of respects, and cannot conceivably be used in its present form by an independent and professional body such as IPART. I make the following points:

1. The basic tenet that scale is linked to capacity is wrong
2. The measure of financial sustainability of a council, as used by TCorp, is built upon data that is inconsistent, incomplete and unreliable
3. The tenet that councils exist principally to serve the needs of the state government is wrong
4. The tenet that councils should arbitrarily reduce the cost of service per capita is wrong
5. The tenet that 38 years of rate capping does not have a much greater bearing on the capacity of councils than amalgamation is wrong
6. The tenet that metropolitan councils should have in-house capabilities and not develop and use shared capabilities across councils is wrong
7. The tenet that what communities think is counted at nought is wrong
8. The tenet that non-financial council performance measures should be ignored is wrong.

The attachment to this letter expands upon these 8 points.

Thank you for your professionalism, integrity and courage; and above all thank you for your consideration of the communities of NSW. Humans are social animals; we need healthy communities for state-wide as well as personal well-being.

Yours faithfully,

Councillor Tom Sherlock

## **Attachment: Expanding upon the 8 points**

### **1. The basic tenet that scale is linked to capacity is wrong**

This point has already been very clearly and strongly made in the Mosman Council submission. At no time has any paper that I have seen make a robust case for larger councils having greater capacity. If I look at financial capacity in particular, I see that 6 of Sydney's 7 largest councils run at a loss, and significant losses too.

Council	2013/14 Operating Result before Grants & Capital Contributions	LGA Population (2012)
1. Blacktown City Council	-\$12,089,000	317,598
2. Sutherland Council	-\$4,208,000	221,147
3. Fairfield City Council	-\$4,977,000	198,335
4. Bankstown Council	-\$6,031,000	193,398
5. Liverpool City Council	-\$8,260,000	191,244
6. Penrith City Council	-\$13,732,000	186,938
7. The Hills Shire Council	**\$61,365,000	180,214
8. Parramatta City Council	\$589,000	178,549
9. Hornsby Shire Council	\$6,746,000	165,090
10. Campbelltown City	-\$2,571,000	152,612
* Excludes City of Sydney	** One off sale of Assets \$32m + Revaluation	

But I don't necessarily criticise these councils for their relative financial weakness compared to smaller councils. A number of studies and bodies of evidence (again refer to the Mosman Council submission) show that it is generally average income which is much better guide to financial capacity than the size or scale of a council.

My experience is that the greatest non-financial capacity is achieved when different councils work together. From Mosman's experience, our shared library network Shorelink, shared across 5 councils, provides expertise that would be among the best in NSW. This is but one example; others are listed in #6.

### **2. The measure of financial sustainability of a council, as used by TCorp, is built upon data that is inconsistent, incomplete and unreliable**

TCorp is not like IPART. It is a state government agency and has no pretence of independence or impartiality. It is a political instrument. Accordingly, when tasked to "assess" NSW councils, TCorp produced a

report that has been widely criticised as a dubious picture founded upon incomplete and inaccurate data. I make two points in particular. The first was mentioned at the IPART Sydney Public Hearing by Mr Halstead of Warringah – that the treatment of asset accounting differs to such an extent between neighbouring councils, that any financial picture that did not take this into account would be fundamentally flawed. I haven't seen Mr Halstead's submission, but I'm sure that he would make this point very strongly. The second is that the TCorp analysis does not appear to attempt to take into account the different needs of different communities, and the different levels of service provided to those communities by their councils.

For all these reasons, any methodology used by IPART should not in any way be built upon, or assume the veracity of, the TCorp "assessment".

### **3. The tenet that councils exist principally to serve the needs of the state government is wrong**

An underlying theme of the state government's approach, which IPART should not accept, is that the principal reason for councils to exist in a particular structure is so that they can act as instruments of the state. I would agree that there has been a lack of strategic planning in NSW and in Sydney, but I would contend that this is largely due to state government performance. The presently proposed Greater Sydney Commission is a potential remedy to fill the strategic role, and it is not apparent to me why this cannot work with the current structure of councils and ROCs. From a Mosman perspective, we are already working on regional planning for the Sydney North Region, as part of SHOROC and NSROC working together with the NSW Department of Planning. I contend that this shows that the existing structure can work well with an intelligent state government.

In the NSW Local Government Act, 1993, is the "council's charter" in section 8. This describes the focus and function and scope of a council. It talks about providing "services and facilities for the community"; it says that councils should "exercise community leadership". It refers to the local community over and over again; to consultation and engagement. Where does it say that councils "should put local communities aside and focus on being primarily instruments of the state"? It doesn't. IPART should build any model of council assessment on the clearly set out council's charter in the NSW Local Government Act, 1993 – at least until it is replaced by an updated Act. I would contend that IPART's draft model has, as yet, very little in common with this legally enacted council's charter.

#### **4. The tenet that councils should arbitrarily reduce the cost of service per capita is wrong**

One of the measures that the NSW State Government has proposed is that councils should be reducing the cost of service per capita. This seems to be based on the false assumption that services should stay the same, whilst costs are reduced by achieving efficiencies through scale. IPART should initially reject this, and should not re-consider without a careful assessment of the facts.

Is it the case that the communities of NSW are better served by maintaining services at their current levels? Or are there a number of areas where demographics, such as the aging population, suggest that targeted services should be increased? Does IPART have a reasonable fact-base to demonstrate that larger or merged councils have scale efficiencies in service delivery? Or could it be the case that there are many examples of dis-economies of scale?

The Mosman experience is that small targeted service delivery can be highly effective, such as meals-on-wheels, which also engages the community through volunteering (see #8).

#### **5. The tenet that 38 years of rate capping does not have a much greater bearing on the capacity of councils than amalgamation is wrong**

Rate capping was brought in for NSW councils in 1977 and has been in place ever since. How is IPART accounting for the impact of this in its capacity measurement?

While there may be arguments for and against rate pegging, you would have to be blind not to recognise that it has had a very significant impact on the ability of all councils, large and small, to provide services and build "strategic capacity". Rate pegging is widely recognised as being a key factor in infrastructure backlogs; councils are resource-constrained, and so invest less in community needs that are less visible, namely infrastructure. Rate pegging may also be seen as counter to principles of democracy and accountability of local government, and to the LG Act "council's charter" – restricting councils' budgetary authority interferes with the primary accountability of councils to their communities and undermines local democracy.

## **6. The tenet that metropolitan councils should have in-house capabilities and not develop and use shared capabilities across councils is wrong**

The NSW Government assumption, that seems to have been embodied in the draft IPART model, is that Sydney metro councils need to have strategic capabilities in-house, rather than sharing these capabilities with other councils, or contracting them out. This has been addressed to some degree by IPART saying that Joint Organisation submissions will be considered. However the timetable for saying this so late in the day makes a JO submission quite impossible for those councils that have acted on the initial guidance from the NSW Government. Furthermore the IPART assessment model does not yet seem to incorporate the fact that the leading high performance model for councils around the developed world is not mega-councils; it is council networks sharing services and assets and making appropriate use of contract services.

Mosman, as a smaller council, has been a “contracting council” for many years. Street cleaning, refuse collection, major road repairs are all contracted out.

Mosman also has a number of excellent examples of shared services. The Shorelink library network has 5 councils and has been running for over 30 years. We are one of 5 councils, becoming 6, that share an internal audit facility. We share a refuse and recycling centre, Kimbriki Environmental Enterprises, across the 4 SHOROC councils. And we are one of 15 councils that together share a centre of excellence in coastal management, SCCG, Sydney Coastal Councils Group. Each of these services is a leader in NSW and probably beyond. And in addition, nearly all of Mosman’s commodity services are tendered together with those of other councils; I recall there were 11 councils across SHOROC and NSROC involved in the last SHOROC-organised tender.

Could we do more? Yes, we could. I think this is where an IPART assessment could really add value, by pointing the way towards wider use of best practices in sharing facilities and expertise across councils. In this context, amalgamation is just an expensive distraction.

## **7. The tenet that what communities think is counted at nought is wrong**

IPART’s assessment methodology should be intelligent enough to put some weight on the community view. IPART has great expertise in making assessments; but it can never experience service delivery and community connection to the extent of the millions of Sydney-siders who work alongside local councils every day.

In Mosman we have had no less than 6 polls on amalgamation since 1962, and I think only once did the result dip below 80% against amalgamation. The last poll was in 2012, with 81% against, and the recent 2015 survey as part of FFF preparation showed a similar result.

An IPART assessment model that ignores what communities experience and what they think, is a poor model (see also #8, below).

**8. The tenet that non-financial council performance measures should be ignored is wrong.**

Like nearly all councils, Mosman undertakes a council performance/ community feedback survey every 2 years. Why isn't this data source being built into IPART's model of council fitness? Surely this is a fundamental oversight, especially in the context of the council's charter (ref LG Act and #3).

An extract of the last Mosman survey (2014, Micromex Research) is shown overleaf.

**Overview (Overall satisfaction)**

Overall, residents expressed a ‘moderately high’ level of satisfaction with the performance of Mosman Council as an organisation over the past 12 months, with 68% expressing a satisfaction level of 7-10.

Residents were significantly more satisfied with the overall performance of Mosman Council than they were in 2012.

Q. How would you rate the overall performance of Mosman Council, as an organisation, over the past 12 months?

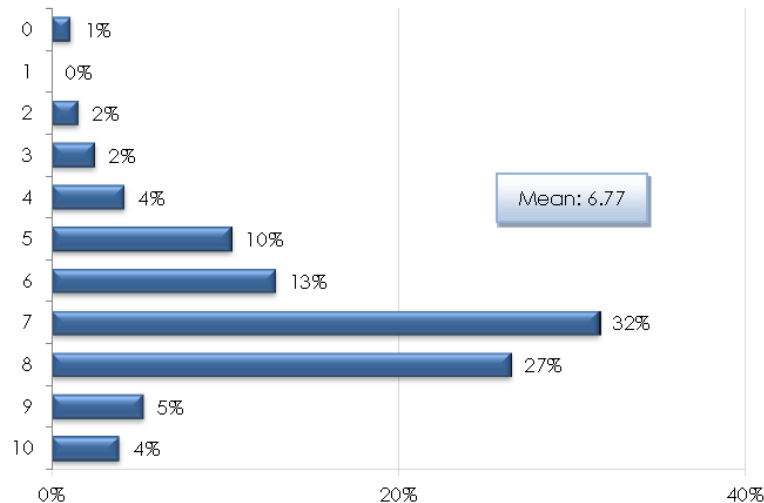
	18 - 34	35 - 49	50 - 64	65+	Male	Female	Pay Rates	Landlord pays rates
Satisfaction mean ratings	7.00	6.55	6.49	7.08	6.65	6.86	6.77	6.78

	Overall 2014	Overall 2012	Overall 2010	Micromex NSW LGA Benchmark (2014)
Mean ratings	6.8 ▲	6.6 ▼	6.7	6.3 ▼

Scale: 0 = very dissatisfied, 10 = very satisfied

▼▲ = A significantly lower/higher level of satisfaction (by group)

**Note:** The Micromex benchmarking scores are based on data from a different group of councils to those included in the IRIS benchmarking scores.



Another important measure that shows council performance is the level of community activation and engagement. Measures here include the number of volunteers; the number of community groups; the number of people using the library; the membership of groups such as Lions or Rotary; the average attendance at council meetings; the number of men’s sheds and their membership. These measures are surely just as valid (or more valid) as the measures of a high performing council as those devised by TCorp. IPART should neither accept, nor use, nor build a lopsided council assessment model.

In Mosman we have over 450 volunteers working with Council. Data collected by councils shows that the number of volunteers per head of population in Mosman and in Manly (another smaller council) is five to six times higher than it is in four other local councils that have eight to ten times the population size.