

NSW councils fork out for forced mergers as government funding dries up

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Hilltops Council is one of the NSW councils facing a bill for its merger. Pic: Facebook.

The NSW government has left some councils with hefty bills to pay since their forced amalgamations in May last year.

Government News understands that mergers have ended up costing some NSW councils more than the state government merger and transition funding they were given.

Rural and regional councils, in particular, are resentful because they received only half of what metropolitan councils were given to cover the process and yet they often receive much less from rates and have lower reserves.

Rural and regional councils received \$5 million for each merger, while metropolitan councils were handed \$10 million for their mergers under the state government's New Council Implementation Fund (NCIF).

But there were caveats. The funding could only be used for certain things, such as getting expert advice and integrating IT systems, but not to pay ongoing staff costs or council

administrators, who replace councillors and mayors until the local government elections in September.

Councils were also given between \$10 to \$15 million of Stronger Communities funding to go towards community projects and infrastructure.

Despite the funding, some councils are finding there is a reality gap.

Hilltops Council, a merger between Boorowa, Harden and Young Councils in the South West Slopes of the state, estimates that it will end up spending \$6.5 million on its merger, a shortfall of \$1.5 million.

Greens MP and Local Government Spokesperson David Shoebridge said residents of the three former council areas would be 'shaking their heads' at the figures and wondering where the \$1.5 million extra would come from.

"Every independent expert said at the start of this process that amalgamations would be more expensive and more disruptive than the government pretended, and now we are seeing this come true," Mr Shoebridge said.

"The incompetence of the Coalition is really staggering, and now they are expecting residents in the local councils they have destroyed to meet the cost of their failure."

Hilltops General Manager Anthony McMahan said he did not understand the logic behind giving rural and regional councils significantly less funding to cover their merger costs than their metro counterparts.

"In our case, we've been responsible for bringing three councils together that are geographically separated," Mr McMahan said.

"We're also a water utility and we have additional constraints in relation to having two former councils with populations under 5,000, which means we have to comply with Section 218CA of the Local Government Act. These factors are not a consideration for metro councils."

The council will finalise its transitional costs and then consider whether to lobby the state government for the money.

"We're focused on ensuring Hilltops Council is adequately resourced to complete the merger process, and will be making representations to Minister Upton accordingly," Mr McMahan said.

"We've made clear our determination in ensuring the community does not pay for merger-related costs."

But it is not only regional councils who have been left to pick up the tab for the mergers most of them fought hard against.

Sydney's Northern Beaches Council, an amalgam of Manly, Pittwater and Warringah Councils, received \$10 million for its upfront merger costs and has only \$105,000 left in the kitty.

The council's biggest outlays were \$2.5 million for staff redundancies and \$2.8 million for system integration.

Northern Beaches Council acknowledges it faces further restructuring costs in the draft of its 2017-2018 Operational Plan.

"It is recognised that council will incur further restructuring costs such as the cost of integration, aligning positions within the new organisational structure and new salary system which will exceed the funding provided," says the plan.

"Accordingly the Long Term Financial Plan has been prepared on the basis that once the NCIF has been fully utilised, existing budgets will firstly be used to pay for those merger and transition costs not funded through this mechanism prior to the identification of net savings."

Brian Halstead President of Save Our Councils Coalition, a community group against forced council mergers, said a funding shortfall had always been on the cards.

"The amount that the government allowed was based on the KPMG report, which under costed amalgamations and because they're not allowing councils to book the ongoing staff costs and administrators against the funding," Mr Halstead said.

He said some council staff were spending 25 per cent of their time managing the merger process, including harmonising service delivery and staff pay and conditions, and that NSW Premier Gladys Berejiklian should stump up the extra cash.

"If I was a ratepayer, I would be thinking that these amalgamations have been forced on them by state government. It's only reasonable that the state government bear the costs of amalgamation but I doubt any of the administrators will [ask] because they're paid public servants."

Local Government NSW (LGNSW) President Keith Rhoades said he was not surprised that merger costs had exceeded the funding available.

"LGNSW, along with a number of academics and other experts, argued strongly throughout the process that there was a strong potential for additional costs," Mr Rhoades said.

"It was always clear that the cost of individual amalgamations would vary from council to council depending on readiness, systems compatibility, staff skills etc and in fact this is one reason why forced amalgamations can be more difficult than those that are achieved voluntarily, after extensive meaningful consultation."

Roberta Ryan, Director of the Institute for Public Policy and Governance at the University of Technology Sydney, said it was hard to predict the cost of mergers but the state government had given it their best shot at trying to work it out from past experience.

She said the cost of mergers would depend partly upon the extent of co-operation between councils before they merged, for example through shared IT systems and services and the level of regulatory harmony in an area.

“I understand there has been a shortfall for a number of councils,” Ms Ryan said.

“Many regional and rural councils would have found it harder and more expensive because the amount [they were given] was less and some of them may not have been working towards some of these things that some of the metro councils were.”

The ability of new councils to absorb any cost blowout was highly variable, she said.

“Some councils have good reserves but some of the smaller ones are very strapped financially.”

Asked when the true costs and savings from mergers would be known she said: “Not ever – as we don’t have the base line data available – there can be overall benefits and improvements – that may have happened even if the amalgamations didn’t happen.”

The Department of Premier and Cabinet (DPC) would not say whether any NSW councils had approached Local Government Minister Gabrielle Upton to fund the shortfall or whether the government would act, should this occur.

The DPC statement would only say:

“The NSW Government has provided an unprecedented level of support to new local councils.

“The NSW Government provided new councils with \$375 million to implement the mergers and kick start investment in new services and infrastructure for their residents.

“New councils in regional areas received \$5 million to cover the costs of merging, as well as \$10 million for a merger of two councils or \$15 million for a merger of three councils, which is to be used for community, services and infrastructure projects.”

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