

[Chairman:] Thank you all very much for coming and welcome to this public forum today. This is the first of four as part of our review into the development of an assessment methodology for Council Fit for the Future Proposals. We will also be holding forums in Dubbo, Coffs Harbour and Wagga. My name is Peter Boxall and I'm Chairman of IPART. I'm joined today by my fellow Tribunal Members, Catherine Jones and Ed Willett, and also John Comrie. As many of you would know, John has been appointed as a temporary Tribunal Member for this assessment process. Assisting the Tribunal is IPART Secretariat led by Lucy Garnier.

I would like to take this opportunity to remind stakeholders that we are taking formal submissions on our consultation paper until 25 May. All submissions received will be carefully considered by us in developing our final assessment methodology. Stakeholder submissions will be available to the public on our website shortly after the submission period closes. We will also consider matters raised in the course of today's proceedings.

The purpose of today's round table is for us to better understand stakeholders' views through a structured discussion. On the agenda we have two major sessions covering first our approach to assessing the scale and capacity criterion, and second our approach to assessing the other criteria, which are sustainability, infrastructure and service management, and efficiency. The Secretariat will provide a short presentation before each session to outline the issues. I will then ask for comments from participants from the floor, and also all members of the audience. I will endeavour to give everyone who wishes to do so an opportunity to speak, and I request that you limit your comments to a reasonable length, about three minutes, to allow others time to also speak. I should advise you that today's proceedings will be recorded by our transcribers, and is being webcast for interested stakeholders that are unable to attend the forum. Therefore to assist the transcribers I ask that on each occasion you speak please identify yourself, and where applicable the organisation with which you are affiliated. I also ask that you speak clearly and loudly and through the roving mics. A copy of the transcript and webcast will be made available on our website within the next week. In terms of housekeeping, we plan a short break at around 11.15 am. To get underway, I now turn to Lucy from the Secretariat to provide a short presentation to introduce the first session.

[Lucy:] Thank you Mr Chairman. So in the first session this morning we'll discuss the assessment timeframe and the scale and capacity criterion. As most of you will be aware, in 2012 the New South Wales government set up the Independent Local Government Review Panel to consider ways to strengthen the effectiveness of local government in New South Wales. It released its final report, 'Revitalising Local Government', in October of 2013. The New South Wales government responded by announcing its Fit for the Future reforms in September of 2014, and between then and now the Office of Local Government has been developing the templates and guidance material for Councils.

The Minister has recently appointed IPART as the expert advisory panel to assess the Councils' Fit for the Future proposals, and to fulfil this role we released our assessment methodology paper on 27 April, and have begun a 28 day consultation period in line with our terms of reference. During May, as Peter said, we will be holding four public forums, including this one in Sydney, one in Dubbo on Friday of this week, and then two next week in Coffs Harbour and Wagga Wagga. After the consultation period closes on the 25 May, we will consider all the matters raised in this forum and through any written submissions, and in early June we will release our final assessment methodology report.

So all Council submissions are due by 30 June, and we will make an online portal available on our website in early June for Councils to be able to submit their proposals. We've also allowed a month after the deadline for Councils for public submissions, and they can address any issues raised in the Councils' proposals. And during our assessment phase we may contact Councils for further information that we consider we need to make our assessment. In line with our terms of reference we will provide the Minister with our final decision on 16 October.

So in developing the framework Fit for the Future the government developed four criteria that each Council or group of Councils need to address to demonstrate that they are fit for the future. The government established scale and capacity as the first threshold criterion. This means that each Council must firstly assess if it has the appropriate scale and capacity. In order to do this, the Council will need to look and consider the Panel's recommendations for the Council. This is a starting point for each Council. We had to define a starting point, and the only two real options were the Panel's options or the status quo. If we used the status quo as a starting point, there would be no options to examine or compare against. So for example if your, if a merger is the Panel's preferred option, then this is the starting point for your Council.

Once it's considered its option or options, each Council must submit a proposal for no change, structural change, either a merger with one or more or other Councils, or a rural Council proposal if it satisfies most of the rural Council characteristics. So this diagram shows our assessment approach, which is that each council will receive a rating, whether or not it submits a proposal. So the Council or group of Councils that submit a proposal will either be rated as fit or not fit, and the not fit could be that it either doesn't satisfy the scale and capacity criterion, or that it satisfies the scale and capacity but not the other criteria. And a Council that does not submit a proposal will be either deemed not fit, or for the far west Councils who are not obliged to submit a proposal, it will be given no rating.

So what we will be using to look at the strategic capacity of Councils are the lists of these key elements that were in the Local Government Review Panel's final report. So when you put forward your proposals you need to make a sound argument as to how you meet each of these criteria. We don't intend to use a marking system against each of these criteria, as in we won't be giving them a mark out of ten. Rather it will be a case of the expert panel weighing up the evidence that you provide against each

of them, and making a judgment call on whether the proposal as demonstrated, it meets these objectives. So there are two ways that a proposal will satisfy the scale and capacity criterion. One, if it adopts the Panel recommendation for the Council or Councils, or two, if it's broadly consistent with the objectives of the Panel recommendations.

So what does it mean to be broadly consistent with? And this is probably something we'll discuss later. But for a Council that submits a Council improvement proposal, this will be in general terms that there's a sound argument presented that demonstrates why the option it has proposed is superior to a merger option, and has the features of key elements of strategic capacity which were on the previous slide. For a merger proposal, the proposal presents a sound argument demonstrating that the proposed merger, which may be two or three of an option that preferred four Councils, and also has the features of the strategic capacity that I discussed previously. For a rural Council proposal, the Council needs to demonstrate that a merger option, if it was recommended or preferred, was not feasible, and it has most of the rural Council characteristics, which we will discuss in a moment, and that it plans to enhance its capacity and performance to more sustainable levels.

So we will consider if a Council improvement and a merger proposal will demonstrate the key elements. And we've asked the question in our paper "Is it appropriate to define it on a minimum population size or a target number of Councils in the metropolitan regional area?". But also against the criteria such as key elements like effective regional collaboration or the other strategic capacity criteria that were put forward by the panel.

We would also look at whether the proposal addresses regional or state-wide objectives. So the Panel identified some key objectives underpinning the need for strategic capacity, such as for the metropolitan Councils, high capacity Councils that are better able to become partners with the state and federal agencies, and a capacity to support planning and development of major centres. So for regional and rural Councils, the Panel also identified a number of objectives, such as creating regional centres with scale and capacity to anchor a joint organisation. But again, these are all outlined in the Panel's report.

One other thing we would like to explore while we're consulting on this paper is what rural Council characteristics are most relevant? So the Panel report put out a number of characteristics, and I know that the Office of Local Government has been consulting in regional areas to consider some solutions to overcome these, some of these aspects.

So the Panel recommended a rural Council model as a lower cost option where a merger wasn't feasible. The Office of Local Government has been receiving feedback from rural and regional Councils, and has actually looked at a number of options and objectives that might be able to be adopted by rural Councils, rather than creating a whole new model or structure.

So for this morning's discussion points, we're asking how should the key elements of strategic capacity influence the assessment of scale and capacity, and which of the rural Council characteristics are the most relevant, considering a Council must satisfy a majority of the characteristics to be considered a rural Council?

[Chairman:] Okay, thank you very much Lucy. Okay, now we get a chance to take comments and questions from the floor. Okay, down the front, just where's the roving mics? Here we go.

[Tom:] Thanks very much. Tom Sherlock from Mosman Council. So can I ask you to turn back to your slide which was 'key elements of strategic capacity' please? It's 'key elements of strategic capacity'. Okay. This basically goes to the heart of my question, and that is what is the linkage between strategic capacity and scale? Because if I look down this list, it talks about strategic capacity, and you might argue that some of the measures are more definitive than others. But there's really no linkage here between strategic capacity and scale. And I think that these are actually not one criteria, but two. And I haven't seen either in the work of IPART or previously in the work of the Independent Local Government Review Panel, any kind of evidence to suggest the scale and capacity should be linked together. In fact far from it. I've seen evidence from a number of reports with Dollery and Abelson suggesting that scale is actually unrelated to capacity and if you're looking at financial sustainability, a lot of the largest problems in Councils across Sydney are actually with the largest population-wise Councils. So this is a very basic question, scale and capacity, this talks about strategic capacity, it doesn't talk about the linkage with scale. Thank you.

[Chairman:] Good, thanks very much Tom. And just a note that Peter Abelson's your Mayor, is that right?

[Tom:] That's correct.

[Chairman:] Thank you. Why don't we get a couple more questions, and then address that issue, your issue. Yes. Down the front.

[Donna:] Good morning, I'm Donna Rygate from Local Government New South Wales, and I'd like to start by saying that there were many aspects of your draft methodology that we saw as a step forward in terms of the kind of issues that we've been encouraging consideration of, so thank you for that. Just three things following that brief presentation. There was reference to a target number. We'd love to know what the target number of Councils is, so if someone could share that with us that would be terrific. Secondly, further to the elements of strategic capacity up there, I'm interested to know how you're going to assess some things which would appear to be rather difficult to quantify. "More robust. Capable partner. High quality leadership". How are you going to measure those kinds of things? It would be helpful if Councils knew that so that they could address those things in their submissions.

And the third thing is around the treatment of rural Councils in the methodology. I think the methodology's still a little bit, appears to be drafted as though the rural

Council model is in fact a structural model, although as Lucy noted things have moved on since that was the intention, and what the model is now as we understand it, and as OLG has been advising Councils, is about a Council improvement template, so those Councils going on to a long term improvement path. So I guess there are some differences there. And in particular Councils have been advised that they must meet the majority of the nine rural Council characteristics, rather than there being particular weighting on those. So that's a little bit of a shift if that is in fact which way you decide to go. Thank you.

[Chairman:] Could I just get your first name again please?

[Donna:] Donna.

[Chairman:] Donna. Thanks. Has somebody else got a comment on the point that Tom raised, first up, which goes to scale and, yes, down here.

[Brian:] It's Brian Halstead, I'm a resident of Warringah. In your review of the Office of Local Government criteria, IPART accepted that scale and capacity was a threshold issue, and should be consistent with the recommendations of the Independent Panel. The Independent Panel recommended for metropolitan Sydney amalgamation or strong joint organisations, page one hundred and four of their recommendations. I note that the Chairman of the Panel, Professor Samson, being quoted that amalgamations for the Northern Beaches was only one option, and others should be considered. Will IPART as an independent review body, therefore accept proposals in the metropolitan areas for strong joint organisations to achieve the required scale and capacity? If not, can you explain how you are independent in your assessment methodology, or are just following the preferred recommendation of government of the Panel's recommendations, not the Panel's other options.

[Chairman:] Okay, thanks Brian. Let me just deal with that. The starting point for the Councils is what the Independent Panel recommended. If a Council believes that they have a proposal which is superior to what the Panel recommended, then put forward the argument. So the answer to your question Brian is yes, if a Council wants to put forward a proposal, put forward an argument to us about why that's superior to what the Panel recommended, and we will use our judgment to make an assessment. So I think that's relatively clear on that. On the points that Tom's raised about scale and capacity, the fact is these are the criteria that the Panel listed. The Panel was commissioned by the government, they made a report. The government, after consideration, adopted that report, and they've adopted these criteria. There's been opportunity when the Panel was considering this criteria, they consulted widely, I know that for a fact, for people to call up and make submissions along the line that Tom made. What the outcome is, these are the criteria. That's the outcome. The starting point for the assessment process is what the Panel recommended, whether it recommended a merger or standalone or some other arrangement. That's the starting point. And in terms of assessing the first criteria, which is the scale and capacity criteria, IPART will use their judgment to make an assessment about whether the proposal put forward by the Council is superior to that of the Panel, and make an

assessment and forward that to the Minister. It's not really up to us to comment on whether the criteria are the ideal criteria, internally consistent or otherwise. The fact is they're the criteria, and that's what we have to work with, and we will use our judgment to make an assessment, and those are the criteria against which we'll make the assessment. And so obviously it's in Council's interest if they're putting forward a proposal to address those criteria as best they can, and we'll make an assessment as best we can. Great, next one, yes, back row here.

[Phil:] Phil Jankin, I'm from the Hunters Hill community. You say that you'll use your judgment in making an assessment. However the most important thing, frankly, in using your judgment, is what is the view of the Councils, and what is the view of the communities, what is the sense of belonging within communities that led to the local government area being created, what is the sense of community and belonging of the residents that exist in there, and what's their view? That's the starting point of any consideration of what takes place. And then, and that's what you should be using in your judgment. I notice that that is a criteria. It's a consideration that you've set out, I haven't seen it here, but it's a consideration that's set out in your original paper that you put out on 27 April as a matter, the community values, community feeling and so forth. Well, can I suggest that if it is a criteria, it is the most important criteria in relation to mergers, and that that should be really number one in taking account. You've got that nowhere in the fact sheet as being a matter to be considered, and there's nothing in the presentation that showed that being a criteria, and yet it's the most important from the point of community.

And can I, if you look at what government has said time and time again, is that they're doing this for community, and the most important thing is community, and that power should go back to community. And so that consideration of what a Council's view is, and most of them are against mergers, can I tell you, and how they want to go by way of joint organisations, which again is the vast majority in Sydney, quite rightly, backed by empirical evidence, which there's no empirical evidence from the Panel, Samson Panel, the real empirical evidence is joint organisations work, and that that's what should be considered. Now I think what you're saying is, that there's now enough, that you have identified in the presentation of 27 April, that allows that to be put. But what I'm concerned about is that that's not really being emphasised in your presentation.

[Chairman:] Thank you Bill. [applause] I think it comes up in the next slide, but let's wait. Yes, down the front.

[Monica:] Monica Boroney.

[Chairman:] Sorry, I missed your-

[Monica:] Sorry, Monica Boroney from the City of Sydney.

[Chairman:] Thank you.

[Monica:] If our starting point is the recommendations from the Samson Review, then I would, the way I see it is that it presumes that therefore that recommendation achieves or has a better chance of achieving this list, right. So there's a kind of presumption that by putting, by having that amalgamation, so in our case I think it's four or five different Councils amalgamated, somehow that achieves this, and then it's incumbent on us to outline to you that we think we can do it better without that grouping. Right. So the difficulty is that we don't know why you think those groupings achieve this, and we have to argue for or against that. So for example, are you able to tell me why Samson's idea of what the grouping we should be in has a better chance of employing a wide range of skilled staff, than the City of Sydney can alone? Now clearly we will explain to you in our submission that in a global city your geographic area is not, it's a global labour market, so it's a silly one to use, really. You'll draw your staff from all over the world, actually, right? So therefore it doesn't really matter what grouping you're in to achieve that. But what I think we're struggling with and I think others are is that somehow we are going to tell you why the Samson option is better or worse, but we don't know why you think it's better. And therefore the only conclusion that we can come to is that really what the government wants is less Councils, and they should just say that. [applause]

[Chairman:] Okay, thank you Monica, we look forward to your submission on those issues. And this is the outcome of the Panel review, this is the outcome of the Panel review after a long process, and this is the starting point for the assessment. Thank you. In the front row, yes.

[Rochelle:] Rochelle Porteous, Mayor of Leichhardt. With great respect, I don't think most of these questions that have been put to you have been answered so far. You seem to be avoiding answering them. I've heard questions asked about the strategic capacity criteria. We want to understand how you're measuring it. We want to understand where the benchmark is. We want to understand how we can be sure that when we're putting in our submissions that we know that we're hitting that mark that you require us to hit. But it's impossible for us to hit that if you won't explain that to us. There's been questions asked, and there was a slide up there, and I'd ask if you could bring that slide back up again, which referred to appropriate minimum population size, and target number of metropolitan Councils. Could you just bring that slide up again please?

Okay. So we will consider Council improvements and merger proposals demonstrate key elements, for example appropriate minimum population size. Can you please tell us what the appropriate minimum population size is, and how that number has been decided on? And target number of Councils in metropolitan regional areas. Can you please tell us what that target number is? If we're going to be, if we're going to need to be assessed on these, we need to understand them. I mean, to be honest, the other point I want to make quickly as well is timeline, which it's deeply unfair. I mean, we are going until 25 May where we have these submissions. We know that to turn over all of those submissions in one week, and then to present to us in the first week of May what you consider to be the final criteria which we will need to use to make

our submissions is unfair to Councils to be able to do that, and if there's any movement, we have no time to be able to consider that. We have a policy ourselves of community consultation on everything that we do. We need to put that out to consultation. We have no time to get any feedback back from our community on any changes that we make in the submission that we're making.

You've created a pathway, and then you make it impossible for us to actually adhere to that pathway, and for us to be able to make a properly considered submission. If you're going to change any criteria at all, you have to provide more time for Councils to be able to make a considered submission and to ensure that they're properly able to consult on that as well. So I want to make that point as well. And I guess the concern is, and I think it's a very legitimate concern, is that there seems to be a legitimisation of a decision that's already been made by the state government, and as I think was made by the previous speaker, the point that if that is the case let's just work on that rather than going through this process, which is an enormous amount of work for all the Councils, if we've already got a predestined outcome on this. [applause]

[Chairman:] Thank you very much Rochelle. Yes, over here.

[Rochelle:] Sorry, could you answer the questions, please?

[Chairman:] We'll take a few more speakers, and then we'll address some of the issues that have arisen. Obviously some of the issues we need to consider, that's the purpose of these forums, is to get information and input, and also written submissions, and then make a considered response. Yes.

[Scott:] Scott Benison, Lane Cove Council.

[Chairman:] Sorry, your first name?

[Scott:] Scott Benison, Councillor for Lane Cove Council. Our population's a bit over, and answering the fellow Counsellor from Mosman, we only have about thirty thousand people, and we meet actually all the financial criteria. So in terms of trying to understand why size means capacity, we don't understand that, and we'd like some explanation on that if we could as well. But also too, we've done our own analysis I think of the top ten Councils in Sydney in terms of size, and the majority of them, approximately eight, all are making losses. So clearly size doesn't equal capacity. But in saying that also too, this million dollar loss a day number that's been floated around, I've got no idea how that's derived. I'd like to know whether that's before or after depreciation, who knows? So there's a lot of unanswered questions. But in saying that, we also, which I've got a report here, we engaged the services of Professor Percy Allen, we have a two hundred and nine page report that includes empirical evidence that the recommendations by the Panel will not work.

We also had another report prepared that would suggest what would work, and that is going down the line of joint organisations. And I'm also the Deputy President of NESROC as well, and three Councils in NESROC, being Ryde, Hunters Hill and Lane

Cove, are proposing to put forward an improvement template based on the JO model of the three of us together, because we don't agree with the recommendation, but we think a JO would definitely work, and Professor Allen supports that model. So we think that's the better way forward, and we'd like obviously, hopefully IPART will consider that in our joint submission in relation to that, because that will be a better improved model than what's been recommended by the Panel. And we've got two hundred and nine pages, as I say, why the Panel's report will not work. Thanks.

[Chairman:] Okay, thank you very much Scott. Yes, in the front.

[Toni:] Hello. I'm Toni Zeltzer and I'm the Mayor of Woollahra, and we're in a similar position to Mosman, except we're a bigger Council of about sixty thousand. On the financial sustainability criteria set we tick all the seven boxes, and in any merger we come down to six. So it seems rather fruitless for us to sell to our community we're going to be financially better off by a merger.

Now the other thing is this, that when the first Independent Review Panel recommendations came though, they recommended joint organisations. And they also recommended the formation of the Sydney Metropolitan Mayors, and we did that immediately. The Sydney Metropolitan Mayors then canvassed their own communities, which represented twenty-six Councils across the Sydney Metropolitan area. And our recommendation, our collective recommendation to the Panel was a big tick for regional organisations, because we can achieve many things horizontally across Councils. Sometimes not those Councils specifically identified in the groupings of the Local Government Review Panel, we can achieve them with other Councils as well, so we're not limited. And yet the second report from the Local Government Review Panel indicated there's no need for regional organisations, we'll just put those aside for the metropolitan area, and they will just apply to rural communities.

Now if the whole idea of the first report was to canvas the views of the various Councils, and they collectively, twenty-six out of the metropolitan Councils said "Yes, we'd like to see regional organisations as a means of delivering the economies of scale et cetera", and that was put aside. So I'd certainly like to know why that was the case when it's got such a positive feedback from Councils as a means of delivering infrastructure sort of projects and also economies of scale, and yet they removed it as something that would be appropriate for metropolitan Councils and just put it aside for only rural Councils.

[Chairman:] Okay, thank you Toni. Yes.

[Steve:] Steve Embry, Great Lakes Council. I just want to seek clarification on if you're submitting a proposal that's in line with the Panel's recommendations, does that automatically give you a tick for scale and capacity without going through the exercise of putting in a detailed submission? And in our case we're a Group G Council, and it refers to if you're a bold option, that's the preferred option. It doesn't actually clarify that for some Group G Councils, so it doesn't actually clearly identify what is the

Panel's preferred option, which we would presume it would be a Council in a joint organisation, but it's not quite clear.

[Chairman:] Thanks Steve. Lucy, can you have a go at that one?

[Lucy:] I think what we would expect to see is that you put forward a proposal that demonstrates how you meet those criteria of strategic capacity in one of the options that the Panel put forward, if that's what you're proposing to do. So we would still want to see how the proposal that you've adopted meets those, and if possible how it meets them better than the other options put forward by the Panel.

[Chairman:] Yes, back row there.

[Jaya:] I represent a precinct in Randwick City Council, and, sorry, my name is Jaya from La Perouse Precinct. The question I have been given: how important is the community view on your assessment as to whether or not a Council is going to be merged? The overwhelming majority of the view appears to be from, not only in my precinct, but from what I hear, everywhere else, is they are against that. Now, the survey that we were given to ask us how we would like to merge, included an option that we do not merge, no change. Yet the Minister has said no change is not an option, the Mayor has told us that no change is not an option, and the latest information that we have, it's not confirmed yet, is that the survey results obtained by the Council appears to not commensurate with what the precincts, or what we think the precincts with the overwhelming majority do not want a merger, but the survey seems to show otherwise. And the reason for that is in that survey we were given seven options. One of them is no change. So at the most recent meeting of a Councillor who came to attend the precinct, we asked the question, "You said no change is not an option. The Minister has said that, the Mayor has said that, yet you have provided us with an option. Is no change an option?". The Councillor couldn't respond to that, and this is last week.

If the pollsters, the Council, the Councillor represents the pollsters. If the pollsters don't understand what they're asking for, how do you expect the community to understand? So I went back to the people and I said "How did you vote? At this meeting you told me there was only one person in the meeting who wanted a merger, everyone else did not". And I said "I hear the survey is going to show something different". And their answer was "We were confused. We were told that no change is not an option, so I didn't know why that was there". So some of them tried to vote on the options, some of them assumed differently. More importantly from a technical perspective, this survey that has seven options is designed in my opinion to exclude the opinion of those who do not want a merger from specifying what the merger option is. How do you deal with that?

[Chairman:] Okay, good thank you. I'll declare an interest. I live in the Randwick Council, so I got that survey as well. Now, I was just wondering whether Lucy you could address this issue of taking on board community sentiment or consideration which is raised earlier by Brian as well? I know it's going to come up in the second slide, I think.

[Lucy:] Yes, so quite rightly someone said that it is in our consultation document and it is in our terms of reference. We need to consider other aspects such as community feedback and what the community wants. What we will be looking when we're assessing that is the materials that were given to the community and how they were represented. We've seen some very good examples of Councils that have come to us already, we have seen some good examples that give a balanced overview of all the viable options, and give the pros and cons for each of those. We have also seen some that would lead to or could lead to an outcome that the Council wanted it to lead to. So I think what we will be looking at is how the material was presented to the community, and to go to your concerns is that were the community able to make an unbiased, submit an unbiased vote on that.

[Chairman:] Okay. Sorry, just, is that on this topic? Sorry, just a, I've got a question here from somebody on the website. Is your question on this particular topic? Okay. And then I'll move to this question from the website.

[Glenn:] Glenn Handford, Great Lakes Council.

[Chairman:] Sorry, your first name?

[Glenn:] Glenn.

[Chairman:] Glenn.

[Glenn:] I'm just seeking clarification Lucy. The question that Steve asked was if we agree to do what the Independent Local Government Review Panel's recommendations was, or is, do we get scale and capacity. And you said "No, you want to see us demonstrate". That is contrary to what you've said in your document, because you've said in your document on page 20, on page 20, "First, satisfy scale and capacity criteria, blah, blah, blah, blah". So you're saying here that if we agree to do what the Panel recommends, we automatically get a tick for scale and capacity.

[Lucy:] If there was only one option. So we have had a question on the webcast too that relates to this. If there was one option for your Council, then clearly when you fill in the template and you fill in 'yes', you've passed that criteria. What your colleague outlined to us was that there were several options given by the Panel for your particular Council, then we would like you to weigh them up and demonstrate why.

[Glenn:] Well, to clarify that, our situation is we're a Council that's one of the twenty-eight large group key Councils Group G, sorry, that's sustainable for decades in the future, quote, unquote, and Gloucester Council is recommended to merge with us. Or it's recommended to merge with Taree. So we did a merger case with our Council, and it turns out to be quite bad. So what I'm suggesting to you is that, or we're seeking clarification, if we automatically get a tick for scale and capacity if we merge with Gloucester, big and small, then, and Gloucester's not adding any scale and capacity to Great Lakes, we're actually giving them scale and capacity, and that merger option has been examined and we can show you the figures, it goes backwards by about ten million a year for every year that it's in existence. Do we need to then go and

demonstrate scale and capacity again? Because obviously the Panel recommended that we had scale and capacity, it was Gloucester who didn't. So we're just trying to seek clarification of how much effort we put into this. Do you see what I'm saying?

[Lucy:] Yes.

[Glenn:] Sorry, do you see what I'm saying?

[Lucy:] Yes, we do.

[Chairman:] We get your message, and it's recorded, and we'll take it on board and address it, thank you.

[Glenn:] Thank you.

[Chairman:] Okay, now there's a question from Gary Murphy from Lismore. How will the term, quote, 'broadly consistent', unquote, be interpreted, given for example two Councils, Lismore and Kyogle, have been recommended to consider a merger. Having considered the merger, the Councils consider a merger is not in their best interests. That's Gary's question. Lucy, do you have any comment on that?

[Lucy:] I think again it goes back to the criteria of strategic capacity, that we would like your submission to demonstrate that you meet the criteria of strategic capacity better than that of the Panel's preferred option.

[Chairman:] Okay. Our next question? Yes, over here.

[Mark:] Thank you. Mark Dunstan from the United Services Union. We've been involved in this process for the last year as with most people here, and I think one of the questions that we've had consistently has been what this term 'threshold issue' would mean. It's only when the IPART report came out that we started seeing the term 'superior', so that a Council's proposal, if it was different to that recommended by the Panel, needed to clearly demonstrate that it was superior to the recommended option. Now we see this as difficult, primarily because these key elements of strategic capacity are mostly qualitative, and we're talking about a hypothetical situation of what will happen in the future when a merger, that is not yet being contemplated, occurs. This seems to be a pretty vaporous-

[Chairman:] It seems to be a what, sorry?

[Mark:] Hurdle to jump to. It seems to be a hurdle that is very unclear for Councils when they're putting up a proposal. It's qualitative distinctions about a merger that hasn't happened yet. And Councils need to demonstrate that their proposal is superior to that. So I guess my core question is where did that language of demonstrating superiority come from? It hasn't really been reflected in any of the policy materials that have been moving around the sector in the last year.

[Chairman:] Okay, thanks very much Mark. If it hasn't appeared before, then it's come in our report. And the issue is how do you make a start. The government has adopted the

Panel's report and there are a number of people who have already raised issues about the Panel's report, but that's been adopted by the government. We've been tasked with assessing whether Councils meet the criteria which were adopted by the Panel. And so there is an issue. If a Council is prepared to go along with what the Panel's recommended for them, then there's less of an issue. If the Council wants to put forward an alternate, then what we're saying is that they need to put forward strong arguments that that's superior to what the Panel's done. Now this is an issue, this is a consultation phase, so you can make that point and you've already made that point, it's on the record. We'll take it on board. You can follow that up with further argument if you want in a submission, and we'll look at that again. Catherine.

[Catherine:] Hi. Just to answer some of the questions that have come through around, particularly from Monica and Sydney City Council. When we've been looking at the key elements of strategic capacity, we look at it as an overall list. So your Council may in fact already easily meet several of these items. We're looking at the overall. So if you were to get together with some other Councils, perhaps you would do better on some of them, but not others. So we're trying to look at it as an overall package. Does that answer your question a little bit?

[Chairman:] Okay. Sorry?

[Audience:] You haven't answered some of the questions that have gone before, like targets and [inaudible] .

[Chairman:] So just a second. You'd like the microphone? No. Sorry, just a second. Okay, who would like to ask another, raise-

[Audience:] [inaudible] .

[Chairman:] I'll get you the microphone Rochelle, if you want to make another intervention. No. The point's been raised by members of the audience about answering the questions, the whole point is this is a consultation process. We're here to get your views, which you're giving to us. You can give them by statements or in the form of questions. And we will take it all on board and consider it, and then come to a final determination. I mean, that's the process, okay? It's not a question of dealing with the things definitively now. What happens if another issue comes up in Coffs Harbour or Wagga or Dubbo? And so this is a process that we go through. Okay, over on the left.

[Matt:] Thanks. Matt Phillips from Leichhardt Council. Can you just go to the slide, you've got boxes for Councils being deemed fit, unfit, please, there it is there. Council submits proposal. On the far left you've got 'fit', and I've got glasses, my eyesight won't be too crash hot here. Satisfy scale and capacity and three other criteria. There's actually seven criteria around financial sustainability and infrastructure management. Is a weighting, I just want to get it on record, I know you mentioned it previously, but I want it on record, is there a weighting being applied to the seven criteria? Because there's some that are far harder to achieve for some Councils than others. I just want to know, and will that criteria be made transparent in your final

documentation? So short answer, just in terms of to be deemed fit, scale and capacity first, then three criteria, I want to know, if you can, the three criteria we have to meet, because I think most Councillors in this room are trying to achieve the seven criteria that you've articulated, and the methodology you're going to apply to, and the weighting you're going to apply to those criteria. Thank you.

[Lucy:] There are three criteria, and they are formed of seven benchmarks. So when we say the three criteria, we mean the seven benchmarks that make those up. And no, as we've discussed, there are some that are, we've identified them differently. Some are 'must meet', some are 'working towards' and some they inform assessment. And that's set out quite clearly in the paper. And if you want to make a submission that's probably something we'll discuss that in the second session, but those are quite technical submissions, they'd be better done in writing. So that might give some indication as to the ones that the Tribunal consider to be more important. But no, there won't be, there's not a hard and fast weighting to them.

[Chairman:] Okay, thank you. Yes, down the front, and left.

[Deborah:] Deborah Hutchens, Deputy Mayor of Lane Cove. Look, with due respect, I'm finding this session quite frustrating. We've had people asking relevant questions, but we're not getting any answers. And I know this is a consultation process, but at the same time I think it's fair that we have a little more information on not what we do, but we need a few facts, strategic capacity. What about the question that the Mayor of Leichhardt has raised? We haven't had answers to some of these questions. Thank you.

[Chairman:] Well thank you Deborah. I mean, take strategic capacity. There are I think it's nine characteristics we put it up, yes, ten. They're the ones that the Panel came up with, right, and they made a recommendation to government, and government's now asked us to assess criteria against that. We will use our judgment as best we can to assess Councils' applications against that. Now, there's no weightings, as somebody just pointed out, Mark I think, they're quantitative, that's right. That's what we've been delivered, and that's what we're going to assess against. So there's no weightings, there's no mark out of ten as Lucy said, they're not quantified as are their financial criteria later, but that's the notion. And the issue about whether you regard them as being reasonable or internally consistent or otherwise is an issue that the Panel would have taken on board, or should have, but in the end they came up with them and that's the starting point against which we're assessing. So that's the answer, that's the answer. Now, it is part of a consultation process. If people want to make submissions on that they can, and we will do our best to take it up. But that's where we're at at the moment. Thank you. Yes, next to Deborah. Sorry, and then in-

[Roy:] Roy Newsome, City of Ryde Council.

[Chairman:] Sorry, just your first name again please?

[Roy:] Roy, Roy Newsome, City of Ryde Council. As a follow up to the last question, Mr Chair, the real, they're the twelve criteria that was actually given to you as the independent, as part of IPART to review. But on page 21 of your document, as previously asked by the Mayor of Leichhardt, you've also added an appropriate minimum population size or target number of Councils in the metropolitan or regional area, or a future plan of the Council to achieve scale in the medium to longer term. So really what the Councils are actually asking for is some clarification in addition to meeting the ten criteria for capacity, you've actually added as a Panel, in your assessment, those three items. How will you do that, and could you please clarify some of the questions that have been previously asked?

[Chairman:] Okay. Thanks very much Roy. So on page 21 which you've just pointed out, for Council improvement and merger proposals, if the scale and capacity requirements outlined in Box 3.1, which is these ones that are up here, are satisfied, which we consider may include a demonstration of sufficient scale, such as, and then we've made points about an appropriate minimum population size, a target number of Councils in each city. So, sorry, Lucy do you want to continue?

[Lucy:] As Peter explained, this is a consultation document, and we were proposing ways that may be used to assess scale and capacity. So for example the Panel has put forward preferred options which include mergers that if you added those Councils together you would get a population size. It's not the same for every Council, and it's not the same across the state. Also you could take the Panel as a starting point and say you reduce the current 152 Councils down to a lower number. We're asking "Is that the right way?". In the feedback that I've from Councils so far it seems not, but this is the place to air that, and in your submissions. If you think that that's not the way to assess scale and capacity, then we can address that. But as we keep going back to, we will use these criteria in Table 3.1, Box 3.1 sorry, and that was just, and as you say, they're not, and Peter agreed, they aren't quantitative, they're qualitative. If you wanted a quantitative answer, do you want us to use numbers and numbers of Councils? Okay. That's now on the record.

[Chairman:] Sorry?

[Lucy:] That's now on the record, that the feedback is, that that's not-

[Chairman:] But that's the feedback from a number of people in the audience, and no doubt that feedback will be added to the written submissions. That's why we're here. Yes, in the middle in the back here, and then-

[Lynne:] Thank you. My name's Lynne Saville, I'm from Willoughby Council. With consideration of the Local Government Act and the objectives of the Local Government Act to provide services to the community and also to consider the needs of children in their communities, how are the objects of the Local Government Act integrated into the questions for the strategic capacity? That's my first question. And my second question is that I believe my Council, which is Willoughby, has done an extraordinary job in providing for its community with innovation and with many other

aspects of community life, community engagement, child care, all those other things that child care does. How is the provision of child care considered as a measure of what Councils do in all the criteria that have to be measured? That's one question. And the other one is that with Councils doing so much, if they need to increase their rates, they have to make a submission to IPART. And I'm just wondering about the conflict with IPART in assessing Councils' criteria if they wish to raise their rates with this, because you could be in a position of saying "No you can't", and it could mean that a Council is then not eligible, where it might not meet the sustainability criteria. So that's certainly a concern of mine. So thank you.

[Chairman:] Okay, thank you Lynne, was it?

[Lynne:] Yeah, Lynne Saville from Willoughby.

[Chairman:] In the case of the IPART assessing special variations, which is for rate increases above the rate peg, there are well defined criteria on that, which are well established, and that's against which we would assess that. So I don't think there's a potential for conflict there, but we note your point and we'll take it on board and address it. I think Monica you've already had, somebody behind you, and then Monica.

[Jane:] Hello, my name's Jane Ward, and I've lived in the inner city for a long, long time, and been involved with community groups from the Urban Environment Coalition up. And I'm here, and I listened to a gentleman there who spoke, it was his personal views, and I'd like to do that in this occasion. I'd like to say that ask, and in the presence of Monica Boroney here, is she aware that there is a growing interest in our area for our area of the inner west to join the City of Sydney Council? Now, that's a different impetus coming, but it's very big and it's growing. Can there please be allowance under a democracy that that particular growing feeling of the community gets a chance to participate in this process? Thank you.

[Chairman:] Thank you Jane. Monica.

[Monica:] I just wanted to follow up, I think is it Carolyn?

[Chairman:] Yes.

[Monica:] Who just, just the point that you-

[Chairman:] Sorry, Catherine.

[Jane:] Catherine, I'm sorry, I couldn't read your name. The point that you made, I just want to get a clarification. So you said if the City of Sydney put in a submission, and let's say could do a very convincing case against all of those, but our neighbour or one of the Councils in the grouping could not, then you would be sitting there with these various Councils going "Okay, because they cannot, then that is the rationale for joining them with one that can". Because I didn't understand that before. So you've said that you will look at each of us individually, and then you will say "This one can meet them all, this one can meet most of them, and this one can only meet a couple, two or three.

And their capacity will be enhanced by joining one that has demonstrated that they can stand alone". Is that what you're saying?

[Catherine:] No, no, not quite. So it was based on your earlier question where you were saying that you thought the City of Sydney could meet a lot of these things without joining anybody else. So my point was if you feel that is the case, and you want to put a submission that you want to for instance stand alone, then you would need to show us how you meet all of those, and some of them you might easily be able to describe it, and the other ones you just need to explain to us how you would do that. So if you have another option where you're looking at perhaps merging with others, then you need to say how you do it in that case.

[Jane:] Okay, because when you said "We would look at it overall", I thought you meant that you would look at us in concert with others and if-

[Catherine:] No, overall as in for each option that you provide to us, we'd look at it.

[Jane:] Thank you.

[Chairman:] Okay, thank you Monica. On the couch.

[Brian:] Brian Halstead again. Can I be absolutely clear that you will accept proposals from Councils for joint organisations, even though it does not meet the templates put forward by the Office of Local Government, as they were not the preferred option of the Independent Local Government Panel, but an option?

[Chairman:] Yes.

[Brian:] Thank you very much. Because none of the Councils have put out to the community any joint organisation proposals.

[Chairman:] It's up to Councils what they put in, and we will assess it. We're trying to give you the methodology against which we'll assess that.

[Brian:] Okay. The second question is on strategic capacity. One of the questions there is a capable partner for state and federal agencies. I have written to the Minister to try and find out how the state government aims to partner with the new big Councils. He is unable to give me an answer. He does not know. My question therefore to you is, how are you going to assess whether an organisation is a capable partner for a state government when you don't know what you're going to partner in?

[Chairman:] Good point, and we'll take that on board, thank you. It was Grant, or Graham?

[Brian:] Brian.

[Chairman:] Brian sorry. Okay. Yes, in the back here.

[Cathy:] Thank you. Thank you. Cathy Griffin from Manly Council. I'm just going to get a little bit down in the weeds here. You've talked about the scope to undertake new functions and major projects. Local government delivers a lot of the services to its

community which are not necessarily profit making, and they're for our libraries, our swim centres, all of those sorts of things. So I was just wondering what other new functions the government might have in mind, or you might have in mind, or someone, I don't know, I've got no idea what new functions that Councils can take on. And talking about the third one there, ability to employ a wider range of skilled staff, Councils, some Councils are madly divesting of functions, child care, waste, road making, all of that sort of thing, and are actually going to a ROC arrangement to provide some of those services.

So I was just wondering how you're going to determine the ability to employ a wider range of skilled staff when the move is actually to contract a lot of these functions out, and I'd be interested to understand how you're going to measure and just exactly determine what new functions and major projects Councils would be able to provide. And I agree with the question that the other gentleman had about what is it, the capable partner for state and federal agencies. Does that mean that we're capable of writing for grants, or having big events, or just exactly what does that mean? Because I'm sure that most local governments, most Councils already are capable partners with the state and federal agencies via the funding arrangements, which in fact was the original problem, why we went to Destination Thirty-Six in the first place, was because of the funding. And getting back to the first question, more robust revenue base and increased discretionary spending. How are we going to demonstrate a more robust revenue base when there is the issue of, someone mentioned before about going to IPART for variations. In our case, in Manly, we're extremely fortunate because we have a very good fees and charges regime. A lot of expensive parking. So is that what you mean by a more robust revenue base?

[Chairman:] Okay. Thank you very much Cathy. There's some questions over here. Yes.

[Jane:] Thank you. Jane Mills from Parramatta City Council. Two process questions. The first is when we do a reconciliation of the two templates, noting that the first template from the OLG can in fact only be submitted if you get full agreement and formal agreement from neighbouring Councils. So if you can't achieve that, you actually can't respond to template one, so that's I guess a comment in itself. But when you then reconcile the two templates, they don't necessarily ask you to provide the same information. And probably the main point of that is template one quite explicitly asks you to provide feedback on community engagement, whereas template two in fact doesn't mention it at all. So I think there is some, some reconciliation issues in terms of the templates, particularly if then IPART has a pretty ambitious timetable of reviewing them all within three months. So we just do make that comment.

I guess the second comment I'd make is I think one of the reasons I know I've come to this forum certainly looking to get some clarity around this. Whilst I note that IPART will formally respond in the first week of June, if you just think about it from a process timetable point of view, we're then due to provide submissions some three weeks later. In order to provide that submission three weeks later, and if there are any paramount changes, we then have three weeks not only to consider those issues,

redraft proposals, and most importantly get that back through our Council and community processes. So I guess a question slash comment is what we can see is a very compacted timeframe in June on what is an incredibly significant issue in terms of local government reform, and I just question whether we've actually got the timetable appropriately drafted.

[Chairman:] Thank you Jane. We find the timetable very challenging also, and the timetable's set by government. But we'll take on board both those points that you've made and seek to address those as part of the consultation process. Thank you. I've seen somebody else over here on the right. Yes, up the back on the right.

[Ray:] Thank you for the opportunity. My name's Ray Brownlee, I'm the General Manager for Randwick City Council. My question is about the insertion of the word 'superior' into the assessment guidelines, where it says that if the Independent Review Panel recommended a merger for your particular organisation, and you wish to stand alone, that you have to put a, for no structural change, you have to put a business case that clear demonstrates that you are superior to any merger option. My comment is that if you're a subset of a set, it is almost impossible to be superior to that. So for example if we use Monica's example earlier about the city. The city has a revenue base of around \$580 million. If you add Randwick and the adjoining Councils that are recommended, that goes to \$960 million. It is difficult for the city or for Randwick to demonstrate they are more superior to the overall set. As a result of that, it would appear to us that it looks like it's a forced amalgamation.

[Chairman:] Well, thank you very much for that Ray, that's similar to a comment made by Mark earlier. We'll definitely take that on board, whether that's lifting the bar too much, and we'll look at that, thank you. Somebody over in the back.

[Paul:] Paul Spyve from Queanbeyan City Council. I just wonder, can you go back to the slide with the boxes showing fit or not fit? What I wanted to know there, is IPART just going to make recommendations to the Minister to show whether Councils are either fit or not fit? Because what we're missing is beyond that process, because what happens when it goes back to the Minister? Because when I attended a seminar run by OLG before Christmas, they were hinting then that they're considering short circuiting the process as set out for the Boundaries Commission within the Local Government Act. So we've got no idea at the moment what happens beyond whether IPART declares a Council fit or not fit, what happens after that when it goes back to the Minister. Is there a very clear process that's set out for us, or are the goal posts continually going to change as we try to go through this journey?

[Chairman:] I'm just wondering if Steve, sorry, OLG, would like to address that? Steve.

[Steve:] Yes, thank you. Just in terms of the question, and we've had-

[Chairman:] Sorry, hang on, microphone.

[Steve:] Unsurprisingly we've had the-

[Chairman:] Sorry, Steve, can you introduce yourself please?

[Steve:] Sorry. Steve Orr, Office of Local Government. We've had this question a number of times in terms of Councils wanting to know what happens next. And as you said, the role of IPART is to assess the applications they receive and make a judgment in relation to those applications re fit or not fit. Ultimately IPART will report to the government. How government wants to treat that report is up to them. They've made no decisions about what actually happens next. So no decisions have been made in terms of what they are going to do in terms of those Councils which are not fit, or those Councils which are fit. Really it's going to be subject to the contents of the IPART report.

[Chairman:] Thanks Steve. Anybody else up the back? Yes .

[Jane:] Thanks. Jane Ward again, to say that there actually is a mechanism under the Local Government Act whereby citizens, it's really like a citizens' initiative, people can initiate a merger process. It's complicated, but it's there. But what I'd like to say in relation to the City of Sydney and the surrounding areas around there, there is a compatibility there, and they meet all the merging requirements, from what I've been able to read today. But I would also like to say that the people, the areas of the inner west that have become part of the City of Sydney, they include a lot of very poor people, if that's the criterion someone wants to put up. But they also are very, very happy, the people from Glebe and Forest Lodge who have already merged with the City of Sydney Council. And that's all I want to say now.

[Chairman:] Okay, thank you Jane. Up the back on the left .

[Darcy:] Thanks mate. Darcy Byrne, Leichhardt Councillor. If I could just return as I think about a dozen people have so far to the slide about minimum scale and capacity. If we could just slide back to that. Yep, appropriate minimum population size. So I don't want to verbal you, but it seems pretty clear we're not going to get an answer about that today. Following this consultation process-

[Chairman:] About, about what again?

[Darcy:] About what the figure is for an appropriate minimum population size. About fifteen people have asked, and-

[Chairman:] No, you're not going to get an answer today, and indeed that's been raised as an issue. This is a consultation process, so just a second. This is a consultation process. Those issues have been raised by somebody in reference to page 21, and we're taking on board that a number of you guys, and no doubt you'll put it in your submissions, are not happy with that, and-

[Darcy:] So can I get a commitment that once you've concluded the consultation on the methodology, that this will be specified before we have to put our submissions in? That's my first question.

[Chairman:] Yes.

[Darcy:] Secondly just to raise, to build on the point that Monica made previously, which I don't think was quite answered. So in Leichhardt's case we're envisaging that we'll make a submission explaining that we can meet all seven of the criteria by 2016-18. But there's likely to be a number of the other Councils in the six that we're potentially proposed to merge with who don't meet the seven criteria. Will your methodology be that you'll say "Okay, Leichhardt's proven its case", or will it be the case that you'll say "Hold on a second, these surrounding Councils, their viability could be strengthened by being merged with an entity that is in itself viable, and therefore that would discount from their argument about standing alone".

[Chairman:] Thank you Darcy. So hypothetically, right, because this is all hypothetical yet. If Leichhardt and five or six other Councils are in a group, or for that matter any other recommendation by the Panel was for say five Councils to merge, if one Council puts in a submission and says "Well, we don't want our, we don't want to merge, we reckon we can go it alone", right, we will assess your application to go it alone, and deem you fit or unfit, irrespective of what's happening of the Councils around you.

[Darcy:] And just in relation to the first question about will we get clarity about the minimum population size once this consultation is concluded, but prior to making our submissions?

[Chairman:] The answer to that was yes, and it remains yes .

[Christina:] Christina Ritchie, resident representative of Balmain under Leichhardt Council. My question is perhaps a little broader but along similar lines to that of Darcy Byrne. I see that the elements that you have put in the slide this morning, and this particular slide as well, which talks about appropriate minimum population size, target number of Councils. It's interesting you say 'target number of Councils'. So obviously there is already in place a target. My concern is that with all due respect you say that you are going to make a judgment. How can IPART make a judgment on criteria that are not specifically explained? There are comparative words used like 'more', 'wider', 'more effective', and all sorts of comparative words. But comparative means you are comparing one thing with another. How can you do that if you don't know what you're comparing them against?

[Chairman:] The reference to 'target', I think the Panel had a target.

[Lucy:] So we were proposing in the paper was it a good idea to use the target number of Councils that the Panel had proposed in its preferred options. That's what we mean by target.

[Chairman:] And a, sorry, just a second, and a question about the exercising judgment. We will do the best we can with information that's provided by the Council to come up with a judgment about whether a Council's fit or unfit, and these are the criteria which were developed by the Panel, and they're what we've got to work with. Another question up the back. Yes.

[Vera-Ann:] Vera-Ann Hannaford, Leichhardt Councils. I'm rather concerned about the elements. Nowhere does it mention 'local'. I mean, this is the most important thing, if we're talking about local government. When you look at the proposed merger for our area, it actually covers five state seats, so how does it remain local? And you haven't mentioned that at all. In the last point, you have 'political'. That worries me. What do you mean by political? Do you mean as in political parties? Because local government is well known for representing the people, not actually their party. So I'd like an answer to that. And also the ability to employ a wider range of skilled staff, is that contingent on amalgamation so that there's a huge pool of unemployed people that you can employ?

[Chairman:] Sorry, I just missed your first name?

[Vera-Ann:] Sorry, the third point? The-

[Chairman:] Your first name.

[Vera-Ann:] Oh, Vera-Ann.

[Chairman:] Thanks Vera. Thank you. More questions, comments? There's one here in the middle.

[Julie:] Thank you. Julie Hegarty from Pittwater Council and Local Government New South Wales Board member. I just wanted to explore your comments in regards to joint organisations a little further. You very, very basically said yes you will consider joint organisations. There are a number of ROCs around metro Sydney that currently would be able to comply with the strategic capacity key elements, SHOROC absolutely being one of those. Yet in your own document on page 22, you say "However, the formation of JOs is expected to occur during the next stage of the process, after structural change and boundary change has been progressed".

[Chairman:] That's correct, and that's not inconsistent. We will consider what Councils put in. We're not telling you what to put in. We're telling you how we will make the assessment. If somebody over here, Brian I think, asked a question, "Will we consider it?", well, if that's what you put in, we'll consider it, okay? But the question is that we're trying to develop a methodology about how we assess what is put in. Okay, any other, yes, on the right.

[Mark:] Thank you, Mark, Mark Gardiner from Marrickville Council. At the metropolitan Mayors meeting last week when the CEO came along, which we're very grateful for his attendance, I put a scenario to the CEO I'd like to put to you and to this meeting. And hypothetically, Marrickville is recommended to merge with five other Councils. You said here today that you will treat each submission on its own, and assess each Council on its own. My position is probably that what is likely to happen is that the six Councils will separately make submissions, each suggesting they would prefer to stand alone. And you may well get a situation where you assess a number of those Councils as fit, and a number as not fit. Is it correct that all you will do will be to make that

recommendation to government, and then it then becomes a political decision as to what happens to that body of six?

[Chairman:] It is correct, it is a political decision, because we are assessing whether a Council is fit or unfit for the future, and it's a political decision for the Minister and the government about whether Councils, some of which are fit, and others which are unfit, should merge. Thanks Mark. In the back here.

[Phil:] Mr Chair, it's Phil Jenkyn, community. It's pretty clear from this morning's episode so far, that this process is unsatisfactory. I'm not criticising IPART by the way in that. What I'm saying is that the criteria that have been put forward for you, the time limits, everything else all being very, very clearly stated. So can I suggest to you like any legal document that should be drawn carefully by a body put in your very unsatisfactory position, is that you should state clearly at the end that this not IPART's view, this is not your view as an independent tribunal. It is your view upon criteria with time constraints and lack of consultation forced upon you, you wouldn't use those words, forced upon you by a state government in an inappropriate process, and you have to qualify, any suggestions or recommendations you make, must be qualified to make it clear to the public that this has been in fact, again use different words, an unsatisfactory process that you've been forced to undertake. Thank you.

[Chairman:] Okay, thanks for those, for that advice Phil. Over to the left. Yes. And then I have a question from the webcast.

[Barry:] Thanks Mr Chairman. Barry Smith, I'm the General Manager of Hunters Hill Council, I'm also a member of the Ministerial Advisory Group. I think part of our problem is we're very good at making literal interpretations of documents, you no doubt just worked that out in local government. Our problem is we're coming from a document, the Independent Panel's Review, that was not actually supported with any evidence, they were just a bunch of recommendations [inaudible]. So we've come up with these elements here. I think what would help a lot of people is if we could define what all of those things mean, and I think that's what, what do those things mean, and what are the examples you're looking for. They're all qualitative, they're not, a couple of them are quantitative, but a lot of them are just qualitative. So we need to understand what evidence are you looking for so that we can use it to prove that we meet these key elements of strategic capacity. I think that would help tremendously if we could have that.

[Chairman:] Okay, thanks very much Barry. Let's take that on board and see how we'll go, which we'll do during the consultation process. Okay, now from the webcast, Jill Gallagher has a couple of questions. "Will IPART confirm there is no structural model for rural Councils rather than long term improvement?". And second, "That is that Councils do not have to consider a merger if one was not recommended preferred by the Panel". Lucy?

[Lucy:] Yes, so what we've tried to make clear in our paper this morning is that the Panel did recommend a rural Council model, and subsequent to that point, Office of Local

Government has been liaising with rural Councils and has concluded that a model is not the solution, and has come up with a number of options that rural Councils can adopt. So yes, we confirm that there is no model, that we're looking at the options that the Office of Local Government has put in the Template 3 guidance material. And rural Councils do not have to have considered a merger if one was not recommended, no, but they may, as Peter has stated, Councils can put in the proposal that they think is the right one, and it will be considered by the Tribunal.

[Chairman:] Okay, thanks Lucy. Any more questions or comments, suggestions? Yes, down the front and up the back.

[Vanessa:] Hi there, Vanessa Moskal, Councillor from Warringah Council. Just a small point to clarify. There's been a lot of conversation about joint organisations and metro compared to rural. Could I just get clarification? Are you asking metro Sydney to now consider joint organisations?

[Chairman:] No, we're asking all Councils to make a submission against the preferred option of the Panel about whether they want to adopt what the Panel recommended, or whether they want to adopt an alternate arrangements, and that's what we've asked, that's what we're asking Councils to do. Now, if some Councils choose to say for example that "We don't want to do what the Panel recommended for us, we want to do this, and this happens to be a joint organisation", then of course we will consider it. But we're not asking them to do that. I'm sorry, I just missed your first name?

[Vanessa:] Vanessa.

[Chairman:] Thank you. Over the back.

[Larry:] Larry Galbraith from the Office of the Lord Mayor, City of Sydney. Just taking you to the end of this process, just for clarification, and following up something you said earlier. When you make your, put your report to government, is it the case that all you will be reporting on is whether those Councils that have submitted that they want to stand alone whether they are fit or unfit to do so, in the case of those Councils which put in a merger proposal you'll be indicating whether those proposals will make those Councils fit or unfit, and that's the only comments you'll be making on mergers, you won't be making any recommendations about possible mergers of Councils who choose to stand alone?

[Lucy:] I think it's quite clear to say that we wouldn't have the data to come up with alternative mergers, other than either those proposed by the Councils, and we'll be assessing those against the Panel report .

[Glenn:] Glenn Handford again from Great Lakes. It's following on from that question, because we at our Council, I should say at the outset, I'll be sacked otherwise, our Council is dead opposed to a merger. We have done a business case, we've chosen the Office of Local Government's preferred consultant, and the numbers are quite severe. What I've said to our Council though is having one option is not a good strategy. We're down here trying to engage, in fact we're with IPART this afternoon,

because we want to get a sense of what do we do with Gloucester? It is all about scaling capacity. There is no doubt Great Lakes would give Gloucester scaling capacity. But we will go broke if we merge. And the numbers say that, it is quite clear. So when we put in our case, and it will probably be to stand alone, what are you going to do with Gloucester, who the Panel said should merge with us? Because, sorry Danny Green from Gloucester, but he knows this, the General Manager up there, sorry, if it's webcasted. He knows that they're under enormous financial pressure, and their numbers, they can't deal with their assets, it's all about scaling capacity. Their rate base is tiny, and their asset base is massive, by a scale of hundreds of thousands of per cent, and that's their problem. So is the Panel going to, is IPART going to make some kind of recommendation of what should happen to them, or a way forward? I'm just trying to get a sense so that I can advise our Council.

[Chairman:] Hypothetically, if you have a case where you have a Council which would pass the scale and the strategic capacity criteria, and the other criteria, and be deemed fit, and then you have a neighbouring Council which is not going to pass that criteria, and will be deemed unfit if they put in to go it alone, it's difficult for them to put in for a merger, because unless the bigger Council signs off, they can't use the first template, they have to use the second template. So we could have a situation where we have one Council deemed fit and another Council deemed unfit. The question is are we going to then recommend that those two be merged, right?

[Glenn:] The combined entity is unfit.

[Chairman:] Sorry?

[Glenn:] The combined entity is unfit when you merge them [inaudible] .

[Chairman:] Wait on, sorry, wait till the, the microphone, yep.

[Glenn:] Yeah, I'm just saying, in our case the combined entity is unfit.

[Chairman:] Well, I just note that the government has made a statement, and maybe OLG can comment on this, that there are certain financial arrangements that can be put in place to assist Councils that merge. And no doubt they would need to, if they want to go ahead with that merger, this hypothetical one we're discussing, that if they wanted to do that, and it turned out that the combined entity was not fit, even though the larger one was fit and the smaller one was unfit, the government might reach a view, for example, that even though the combined entity might not be unfit, that they're sufficiently close to fit that with some financial assistance they could get over the line. But these are issues for government. And no doubt Gloucester can come to one of the forums and make some points as well, rather than having to do it through somebody else. I appreciate that you're trying to be helpful. Yes, in the back.

[Allegra:] Hi, Allegra from Penrith Council.

[Chairman:] Sorry, first name?

[Allegra:] Allegra.

[Chairman:] Thank you.

[Allegra:] Will your report be made public, or will it go straight to government?

[Chairman:] With these sorts, thanks for that question. With these reports we report to government, and then they're not made public usually until after government's made a decision. That's the normal way, even with taxi fares for example, we made the final recommendation for taxi fares. That report went to government, government eventually, not eventually, within the time period, they made a decision, and then the report was posted on the website. It is then possible to see whether the government took our advice or not. In the case of taxis they did, but there are other cases where our report is posted with a certain recommendation and government's decided to do something different. But it won't be made public unless government decides to make it public. It won't be made public by IPART before Government's made a decision.

[Audience:] A question for Steve then. Given the tight timeframes that we're under to make submissions and respond to any changes in methodologies, and try and get things through Councils and community consultation, how long does the government expect to make a decision? Particularly given you've got potential streamlines for SRVs and whatnot, dependent on whether or not you're fit for the future, and that certainly Councils may be looking to apply for SRVs the following February. Are you going to be making a timely decision, or are you going to be taking a while?

[Chairman:] Steve.

[Steve:] Thank you. Steve Orr, Office of Local Government. There's no view in terms of how long decisions will be, or how long it will take to make decisions. So IPART are due to report around about the middle of October to government. They'll report based on, as we've heard today, whether Councils' submissions are fit for the future or not. Government will run their process. I can't really comment on how long they're actually going to take to make their decision.

[Chairman:] Thanks Steve. Okay, a couple more questions before we have a break. Yes, Jaya, and, oh, sorry, over the back and then Jaya.

[Bronwyn:] Bronwyn Kelly, I'm a resident of Randwick. I assume that the main function of this morning is for you to get feedback on how the methodology might be improved or questions you might take into account in relation to applying the methodology. So what I'm going to say is that one issue that I think IPART has here is that they have two templates which are creating confusion amongst Councils, and lots of Councils are using the criteria in Template 2 to try to demonstrate benefit to the community that will be derived in terms of the criteria in Template 1. So they're actually confusing these two. Now, the two don't necessarily link. You can have Councils who meet the criteria in Template 2, or can put forward proposals saying they're financially fit, and then they still won't meet the key elements of strategic capacity. If you're actually planning to give greater benefit to the government in terms of presenting them with

something that they can use, in other words rather than presenting them with a map that is slightly different to the TCorp map that says "These ones are fit, these ones are not fit". If you want to actually add more value than that, then perhaps it might be a good idea to consider how, whether there's a primacy in terms of the criteria on the key elements of strategic capacity, and you might be able to make some further recommendations to local government that even where Councils can demonstrate that they're fit the way they are, or they're not demonstrating that, there is still an overriding consideration that might be taken into account that you can then advise the government on to help them make a decision.

[Chairman:] Alright, thank you very much for that input, very constructive, thanks Bronwyn. Over to the right and then the middle. And then I have a question from the webcast.

[Jane:] Jane Mills, Parramatta City Council. Just following on from the conversation around, maybe this is better for the Office of Local Government, around the fact that there are potential government funding sources if proposal one, a merger is in fact proposed. Based on this morning's conversation I think it's fairly clear that a number of Councils, either because they've chosen to, or because they haven't sought, been able to achieve formal agreement from their neighbours, can only then submit Template 2. And under that construct there is in fact no concept of getting any funding support from government, yet some of those proposals may in fact be proposing a similar kind of construct, but not exactly what the Independent Panel had envisaged. So I'm just interested, obviously from a financial modelling point of view, if I was a modeller, when I, financial model Template 1, I may choose to take into account the fact that some of my integration, or some of my costs can in fact be offset by government funding. Under Template 2 scenarios, we're not at liberty to be able to assume any government sources of support. So I'm just interested in terms of that may not be an IPART consideration, but from a financial modelling perspective, again, I just question how we can actually provide proposals that enable us to have some apples with apples comparisons.

[Chairman:] Okay, thanks Jane. We'll [inaudible] Lucy.

[Lucy:] I think that we'll take on board and try and address in the final paper.

[Chairman:] We'll try and address that, thank you very much. Jaya and then Michelle, and then I think we'll take a break. Oh, and we've got a question from the website.

[Jaya:] This is a request. It's a request mainly. Would you be able to provide us with what you have understood as what happened these proceedings, probably as soon as you can, so that we can take it back to the people we represent to say that "This is what the Panel thought", because there's some interesting information that we get here that I'd like to get back to my group, without having to put my interpretation on it.

[Chairman:] Well, this is going to be typed up and put on our website, the transcript of this, so it should be up in a few days.

[Lucy:] It will be up, it should be up by the end of the week.

[Chairman:] Yep, okay. So Michelle.

[Rochelle:] Thanks. It's Rochelle.

[Chairman:] Sorry?

[Rochelle:] It's Rochelle.

[Chairman:] Rochelle, beg your pardon.

[Rochelle:] It's alright. Page 23 of the document, it talks about the objectives and the need to have consistency with those objectives, and I just wanted a bit of a clarification on the second point particularly that is made for metropolitan areas, where it says "We intend to examine the proposals' consistency with the broader regional and statewide objectives of ILGRP's preferred option, including economic, transport, regional planning and equity objectives, as for example we will consider the following objectives". And the second point is "Establish a more equitable pattern of local government across the metropolitan areas, taking into account planned development". My concern with that comment there is that that's referring to the plans of urban growth, particularly for our area, issues around the bays precinct, with their planned development of the bays precinct, that that's about the Parramatta Road planned development of urban growth as well, and also issues like WestConnex. So I was just wanting a bit of an understanding from you how you're going to interpret that. Because quite a lot of the Councils are pushing back quite strongly on these kind of planned developments, because they don't see the planned development as being in the interests of their communities. In fact their communities have also come out very strongly against proposals like WestConnex and the Parramatta Road Urban Renewal Strategy, and we're still waiting to see what's happening with the bays precinct. So I'd like an understanding about how you're interpreting that. I mean, if we stand up for our communities and say that we have great concerns about these sorts of projects, how does that impact on our assessment?

[Chairman:] Okay, thanks Rochelle.

[Lucy:] Yes, so our terms of reference do require us to look at those other community and social impacts. So if you consider that it's an important part of the proposal you're putting forward, then we need all the information that you've got and your position on that, with the sound argument.

[Rochelle:] [inaudible] .

[Lucy:] Well, you're asking how we would consider your community's wishes, so when we look at your submission, you need to put all of the data that you've collected and the community consultation that you've done so that we can use it in our assessment of your proposal.

[Rochelle:] Regarding these issues, like WestConnex, like Parramatta Road Urban Renewal, [inaudible] .

[Lucy:] Well, then how is your proposal addressing the government's objectives to be able to deal with Councils?

[Rochelle:] But that, that makes-----

[Chairman:] Sorry, just wait for the mic.

[Rochelle:] That's making an assumption that our Council agrees with the government's plans for WestConnex. I mean, that's the point I'm making, is that there seems to be an implied requirement that we need to be in line with the planned, in inverted commas, development, of the state government for our local areas, which in fact a number of the local Councils in the inner west for example, and the City of Sydney, are not aligned with that. So how are you assessing that?

[Lucy:] If I don't answer your question this time, then it's a case that I haven't understood it and we'll take it on board. But what we're saying is that we've used the Panel position and the Panel objectives as a starting point against which Councils should describe their proposals. If you think that that's not the right starting point, then that's the question we're asking you to demonstrate in your proposal.

[Rochelle:] You haven't answered the question.

[Lucy:] No, okay. Then in which case could you put it in your written submission and I'll take it from the transcript and we'll see if we can get closer.

Okay, we've got two questions here from the website. Chandi Saba from Hills Shire. "If our preferred option is no change, and our Council, and our Council has boundary changes which affects two other local government areas, would you consider our proposal, even though it is not one of the recommended, and the other local government areas do not agree". I think the answer to that's yes. If you want to put in a proposal to stand alone, even if that's not what the Panel recommended, then of course you can put it in and we will assess it.

The second one is from Selena Griffith, Pittwater. "How will IPART consider community consultation, written submissions and via the public forums? Will the community feedback hold weight?". The answer is the community feedback does hold weight, and we will consider community consultation, written submissions via the public forums. This is a consultation process and we will take that into consideration before we decide on the final methodology. Okay, it's about time for a break, so why don't we take a fifteen minute break and resume at eleven-thirty.

BREAK

[Chairman:] Thank you. So we're moving into session two, which is the approach to assessing the other criteria. Just before I ask Lucy, it was brought to my attention during the break that I had misinterpreted a question from Chandi Saba from the Hills Shire. I didn't realise from the question that what could be being asked is whether if a Council wanted to stand alone they could put in to stand alone, but also put in a suggested

boundary change. You can't do that, because you can't put in a proposal which involves part, another Council or part of another Council without having that Council sign off. So you can't put in a proposal which in a sense is a request for a boundary change without having, you can only put in a proposal which merges in part or in full with another Council if the other Council signs off on it. Okay, I'll hand over to Lucy for a short presentation before we move into session two. Oh, sorry, it's Peter, thank you.

[Peter:] Thank you Mr Chairman. So the terms of reference asked IPART to also include an assessment of the performance against the Fit for the Future measures and benchmarks, developed for the other criteria in addition to scale and capacity. These criteria are sustainability, infrastructure and service management, and efficiency. This session of the public forum will concentrate on these criteria, and other considerations that may affect our assessment of all of the criteria together.

Following our assessment of the scale and capacity criterion, we will assess how Council proposals meet the three other criteria. Our assessment of these criteria is based on how Councils perform overall against a set of specific measures. We propose to scale the seven measures in order of importance. 'Must meet' for key benchmarks, or 'must demonstrate improvement in' where it may not be feasible to achieve the benchmark within the stated timeframe. A Council's performance against each measure will inform our overall assessment of whether a Council meets the criteria. We propose to also set different timeframes for Councils to meet or make improvements to meet the benchmarks, provide flexibility for Councils meeting forward benchmarks when a merger or rural Council option is proposed that may require a short term adjustment and further, provide flexibility for merger proposals since estimated performance is largely assumption based.

We began with how we propose to assess the financial sustainability criterion. Sustainability means Councils will generate sufficient funds over the long term to provide agreed level and scope of services, and infrastructure for community is identified through the integrated planning and reporting process. We consider operating performance provides a key measure of financial sustainability. Operating performance focuses on capacity to meet ongoing expenditure through operating revenues, and it is an important measure of operating cost recovery. Further, a Council's ability to raise own-source revenue insulates it from a fall in revenue outside its control. Here I'm talking about the own-source revenue, the second ratio. Finally, the renewals ratio, the third benchmark within the financial sustainability criteria, provides an indication that Council expenditure on asset renewals matches the cost of asset deterioration for the year.

Each performance measure for the sustainability criterion has a benchmark target that a Council proposal should show it satisfies. As we can see, non-rural Councils must meet the operating performance and own-source revenue benchmarks within five years, and meet or at a minimum show improvement for the renewals measure. We consider this scaling may be difficult to meet for Councils submitting a rural Council proposal due to their limited ability to raise revenue. Hence we propose that these

proposals, the rural Council, would need to show how the rural Council's plans and strategies for real change demonstrate improvement in, or for the operating performance measure only, to meet the target over a longer time period, supported by the current trajectory of their forward estimates.

We next consider how Council Fit for the Future Proposals satisfy the infrastructure and service management criterion. A Council that meets this criterion when it seeks to maximise returns on resources, and minimise unnecessary burden on the community and business, while working strategically with partners to effectively leverage economies of scale and scope. The top two ratios measure infrastructure delivery. First, infrastructure backlog indicates whether Councils are managing their infrastructure effectively, which may affect their ability to provide services. Related to the first ratio, asset and maintenance shows whether the Council spending is keeping up with the required maintenance. However, where the infrastructure backlog target is being met, an asset maintenance ratio greater than 30, greater than a 100% is unlikely to be efficient.

We also measure how this criterion is satisfied by considering how Councils spread the cost of long lived infrastructure over time through the use of debt financing. We propose in our consultation paper to assess these performance measures in a holistic manner in the context of a Council's overall capital sustainability. We also note that there might be data consistency issues that need to be taken into account, which may influence our consideration on how to assess whether that Council proposal meets or shows improvement.

As I alluded to in the previous slide, given some issues about how infrastructure is consistently managed across, measured across Councils, and some time may be required to efficiently deliver infrastructure, we consider it prudent to assess the infrastructure delivery ratios by requiring Councils to demonstrate improvement within five years against the stated benchmark targets. However this is not the case for the debt service ratio, where we propose that Council's Fit for the Future Proposal should show that they meet this measure within five years. Appropriately used, debt enables the cost and benefits of long lived assets to be shared equitably between generations. In contrast, continuation of low debt levels within the sector may mean increasing the revenue burden on current rate payers, if Councils partner with government for infrastructure investment, or when reducing backlogs.

The final of the other, the final criteria we will be required to assess is efficiency. A Council that satisfies this criterion seeks to provide services and deliver infrastructure in a way that achieves value for money for current and future ratepayers. The real operating expenditure measure used to assess the criterion targets a decrease in this ratio over time. Specifically, Council proposals must demonstrate operational savings over five years. As we note in the table, we will consider service levels consistent with community priorities identified in integrated planning and reporting processes when assessing Councils' efficiency. We acknowledge this measure is typically more reflective of cost effectiveness, nevertheless the efficiency targets can be used to

drive efficiencies in the sector and create incentive. However, this particular measure provides some flexibility, as it is a target over time, and allows for growth in expenditure in line with an increasing population and service needs within.

The Office of Local Government's Fit for the Future template guidance material describes the information required to be provided. We will base our assessment on the information provided through our online portal using one of the templates, and any additional information as is stated in our terms of reference, whether provided by the Councils, requested by us, or we seek the information on our own. This additional information may be, as I said, provided by the Councils. Any proposal provided to us should be supported by a sound argument with relevant documentation. We will make a judgment on the robustness of the argument, analysis and information used to support a position. We may request the Council provide further supporting information.

We will mainly consider as required by our terms of reference the four criteria established for the Fit for the Future process. However we will also consider some additional factors, however, we will also consider how some additional factors influence the criteria of scale capacity, financial sustainability, infrastructure and service management and efficiency. For example, social and community context is identified in our terms of reference, which may be particularly relevant for scale and capacity. We noted that the Independent Local Government Review Panel identified aspects of boundaries that should not unnecessarily divide areas, and mechanisms for local representation exist that should be considered that maintain local representation and identity within larger Council areas. These were identified by the ILGRP with respect to social and community context.

Council consultation will be considered with reference to OLG guidance materials, noting that there may be different requirements depending on the template used. Also we will consider how balanced was the information that is provided to the community. And finally, water utility performance is required to be separately reported on, if a Council provides these services. The seven measures discussed, the seven benchmark measures discussed for the three other criteria requires the use of general fund data. However we will consider how the general fund is affected by the water utility business as relevant. We have identified a number of discussion points relevant to section two on our proposed assessment of the other criteria for Council Fit for the Future Proposals. I will now hand over to the Chairman to open discussion. Thank you.

[Chairman:] Okay, thank you very much Peter. Okay, questions, comments on this part of the agenda? Yes.

[Alex:] Thank you. Alex Gold from Alton Consulting. I've heard several of the Councils we've been assisting with the Fit for the Future reforms. There's been a question particularly around the efficiency benchmark, if we can go to that one. Yes. When you say "Net of IPR supported service improvements", are you therefore allowing for both a growth in the real operating expenditure as well as a growth in this benchmark, therefore not

meeting it because of IPR? Or are you allowing them to sort of take that expenditure away from the calculation?

[Lucy:] So what we're saying there is that if the Council has undertaken its IPR processes and its community has agreed to increasing levels of service provision, then that is likely to mean that you wouldn't be able to meet this criteria, because obviously you can't deliver more for less money. Or maybe you can, but what we're saying is we'll take that into consideration, but it needs to be backed up by properly consulted on documentation, not just "We're going to do this".

[Chairman:] Okay, thank you Alex. Somebody else? Brian.

[Brian:] Okay, can we go back to the slide on-

[Chairman:] Can you identify yourself please?

[Brian:] Brian Halstead, resident of Warringah. Can we go back to the slide on the operating ratio? No. That's the one. In the net operating result, excluding capital grants and contributions, surely you should take up one of profit and loss on sale of fixed assets? If I take the Warringah case, we've got a profit this year of eleven million dollars on the sale of an asset, and therefore that distorts any of that ratio. So surely that should be taken out?

[Chairman:] It does, it does say 'net continuing', so there is an element of adjustment for one offs.

[Brian:] But you only say "including capital grants and contributions".

[Chairman:] Well, I guess capital grants can be continuing, whereas one offs from sale of property-

[Brian:] Well, I assume that you'll take that off. Secondly, will you take off interest on section ninety-four contributions, which are not allowed to be used for anything but the capital that they're bound for? And thirdly how do you account for the differences when you have a merged organisation, and you prepare the results for this merged organisation when you have quite different capitalisation policies and accounting valuations? If I give you an example, Warringah value their roads at \$700,000 per kilometre. Across the road in Manly they value their assets at \$1.4 million per kilometre, and when I drive over the bridge between Warringah and Manly I don't see the difference in the values. And therefore I wonder how the consultants and people are going to assess that when we don't have any standard policies of capitalisation or of depreciation. The second one, if you move on now to, and that affects the building and asset renewal ratios, and made much of the TCorp report very questionable. We move on to the next slide. The one on, no the next one on, infrastructure backlog. Infrastructure costs bring assets divided by total written down value of infrastructure. Surely that should be divided by the total replacement value of infrastructure, not the written down value? It doesn't make sense to have the written down value there. It's an argument which I've had for some time, but nobody wants to listen, I'll have another go.

[Chairman:] Okay, well, we'll take that argument on board Brian, thank you. Anybody else? Over the back Owen.

[Michael:] Thank for you for the opportunity. Michael Sewell from Campbelltown City Council. I've been assisting Local Government New South Wales in a number of the boot camps in relation to the criteria. From my observations some of the information is gained from the asset management system, and then some is gained from the financial accounts. I agree with the gentleman in front of me that the total written down value shouldn't be the denominator. I think it should be the total replacement value. I also think that the building and asset renewal ratio is at a 100%. We've just put a special rate variation in, and over ten years' time that says to us that our infrastructure will be adequately funded, but we're certainly not putting a 100% of depreciation into asset renewal, and we're doing it over a ten year period, which is the resourcing strategy associated with integrated planning and reporting.

Also on the operating expenditure, I also think that there needs to be allowances, and obviously we need to put it in our case, with cost shifting or any other, if you're going to increase your maintenance figure in relation to infrastructure, there's going to be hard to reduce your costs in terms of real operating expenditure. So there's just some of the observations, and I'll be putting a submission in to that.

[Chairman:] Good, thank you very much for that contribution, Michael. Okay, over the back and then Alex.

[Christina:] Christina Richie from Balmain under Leichhardt Council. I notice in the last column you have what the merged entity must meet. Do you in fact have the figures, and can you provide us with the details showing that the proposed mergers meet every one of these criteria better than a standalone Council can?

[Chairman:] I'm not sure we understand that question, Christina? I mean, just to, sorry, just a second. Just to clarify, you don't have to meet every one of these seven indicators, right. So that's just to clarify that.

[Christina:] Okay. Do you have, do you actually have the details of how the proposed merged Councils meet all of these criteria?

[Chairman:] No, because nobody's put in a merger proposal yet, and the whole part of this exercise-

[Chairman:] But the government has proposed mergers, so I'm asking if the government has these details.

[Chairman:] No, it's the, I'll ask OLG to address it in a minute, but for this exercise, Councils put in a proposal which is either supportive of the, is either the proposal or recommendations set down by the Panel, or they put in an alternate one. When they do that, and they put in a proposal which involves a merger, we will then look at the final column. Steve, do you want to say anything?

[Christina:] Sorry, that doesn't answer the question. My question was whether IPART or government have the details for the proposed mergers they have stated?

[Chairman:] No. I did answer the question I think, but just to be clear, we have not reviewed any merger proposals, so we don't have the information. We're expecting to get the information when Councils make their submissions in June, and with respect to what the government has or doesn't have, I will refer to Steve Orr from OLG to answer that part of the question.

[Steve Orr:] Thank you Mr Chairman. Steve Orr, Office of Local Government. In terms of the question, does OLG or the Government have a series of numbers in relation to the proposed mergers within the Panel Report, the answer is no. We haven't done that analysis, nor was it our role to do that analysis. Effectively, what has been done, the Independent Panel and the work which the Panel did, they put forward a series of recommendations and terms of changes to the boundaries of Councils within Sydney and in other parts of the State. It's now really up to Councils and what the Government has said. It's really up to Councils now to put forward recommendations which are broadly consistent with those recommendations. And in doing that, what the Government is also saying, you will need to look at what those mergers will mean in terms of once they are implemented what that actually means in terms of those seven other ratios. Now keep in mind that what we have sort of said all the way through this is that the first question which Councils need to address is a question of scale and capacity. And having addressed that question, you then need to look at how that proposal addresses the other seven ratios which have been outlined before you.

[Christina:] So, can I just go a little bit further on that? Does that mean then, that if a Council and a number of other Councils in that same area can show that by standing alone they meet the criteria, but by merging they don't, then State Government will automatically and this Panel will automatically reject the merger?

[Chairman:] It's not up to this Panel which is IPART to reject or accept mergers. It's our job to assess whether a Council's fit for the future or not. In terms of what the Government will do, the Government will make a decision after they've received our report and considered other aspects. Okay. Sorry. Alex, and then at the back.

[Alex:] Thank you. Alex Gould from Elton Consulting again. If we can go back to the first three sustainability indicators table. If we have a situation where a Council essentially, they meet scale and capacity, they meet - oh, that's way far back - they meet scale and capacity, they meet six, say, every benchmark except for operating performance ratio, which if you're the next slide, is a must meet. If the Council say, has good modelling that suggests they'll meet it say, by 2022, and that's the only one they don't meet, is this strict enough to then say they're still not fit?

[Chairman:] Is that more than five years, is that?

[Alex:] Yes. Strictly, but they say.

[Chairman:] Well, if you've got the - all Councils must meet within five years. Sorry, all Councils except rural Councils must meet within five years. If that's the sort of comment that you want to make in terms of this process, about the rigidity of that, you should go ahead and make it. The issue is that you don't have to meet all the seven benchmarks, but there might be an issue where you can meet a number of them but not within five years, but within seven years. If you think that the Panel should exercise some flexibility on that, feel free to make that comment.

[Alex:] So must meet would be not fit, if you don't meet that?

[Chairman:] Well, a criteria says must meet something within X years, means that if you make it in X plus one, you don't satisfy the criteria. If you want to make a comment on that sort of application of criteria which I think you're doing, you should do so.

[Alex:] Okay, thank you.

[Chairman:] Is it Barry, or Larry?

[Larry:] Larry Galbraith from the Office of the Lord Mayor of the City of Sydney, just picking up on your statement which you've made twice now, that you don't have to meet all seven performance indicators. Does that mean that a Council may be found fit for the future if it meets less than those seven? And does that also mean that in fact you may very well be looking at these performance indicators not individually, but also overall?

[Chairman:] Thanks, Barry. Lucy? Larry, sorry. It's okay, I'll get the hearing aids tested afterwards.

[Lucy:] Yes, that's exactly right. So what he's just saying is that some of the criteria are meet or improve within five years. Some we've, at the moment, scaled as must meet within five years, but we're now expecting some submissions from stakeholders that might suggest that there might need to be some flexibility around those must meet ones. But as they stand at the moment, we would be looking at the whole basket of criteria and applying the scaled criteria as outlined in our paper.

[Chairman:] Okay. Bill, is it? Yep. And then I have a question from the webcast.

[Phil:] Phil Jenkin from Hunter's Hill community. Can I just suggest this through the Panel really to Local Government statement? I mean, I find from a community perspective it's really worrying and frankly quite outrageous that the Department of Local Government can get to its feet in front of a community group like this of Councillors and others, and staff, and say on behalf of the Government as well as itself, we can't provide to the Councils or the community any compelling evidence for the amalgamation proposition that we're putting up as the kind of starting point for this whole, dare I say, waste of time for the next few months. But they can't provide anything. Now I've been through - I'm an oldie, probably older than most of you - I've been through this kind of consultation process of Government and Departments for a long time. I can't think of a worse exercise than to ask and force the community and Councils to go through this kind of farce, when you don't even come forward with any justification for the proposition of these mergers. Because, guess what? There is

none. You go back to the Samson Panel and look at what's there, there is no empirical evidence for this, and indeed that's been made clear by reports from Dollery, from Peter Abelson and Percy Allen and everything else, everybody else, who actually has got real expertise. There is no evidence. And so you're forcing Councils at great cost and waste of rate payer's money. Not you. I'm saying, I think you are some of the good guys, but you are being forced to go through this and we're being forced to go through this. And I can tell you, the community has had a gut full of this. It's been going on for years now. [applause]

And no one listens to us, and we are sidelined all the way through, and you have a huge problem facing you, can I suggest, because of that thinking.

[Chairman:] Okay, thank you. We'll take that on board. Okay. In terms of a question from webcast, from Councillor Colin Stuart Baird. In order to meet the operating performance ratio to remain stand alone, we will need to double rates by special variation in five years. If we are assessed as fit for the future by your Panel, then is this rate increase automatic by IPART?

[Lucy:] I think I would reiterate that it's two separate processes. We have a consultation paper and a number of criteria for this process, and we're also guided by the Office of Local Government guidelines for special variation applications and approvals. So they are two different processes.

[Chairman:] I do note that the Government, and I'll call on Steve to make a comment, the Government's talked about having a streamlined process for Councils, that's a streamlined process for special variations for Councils who are assessed as fit for the future. Steve?

[Steve:] Steve Orr, Office of Local Government. Yeah, that's correct Mr Chair. In terms of those Councils which are fit for the future, the view is that those Councils will get access to a different way of increasing rates above the rate peg. A streamlined and simplified way, and we've commenced work on that, but the intention is that that will apply to those Councils which are fit for the future. As well as that, and I should say, Mr Chair, those Councils which are fit for the future, they'll also get access to the Treasury Corp borrowing facility, which will enable them to borrow money for infrastructure projects and the like at rates equivalent to what the New South Wales Government is able to borrow money, drawing on the New South Wales Government Triple A credit rating. So that'll also be available to Councils who do become fit for the future. Thanks Mr Chairman.

[Chairman:] Thank you. Rochelle.

[Rochelle:] Thanks. Look, it would seem to me that it has been raised that there are some different interpretations of some of the criterion benchmarks. There are some flaws and there are some further clarifications that are required. My concern is that any changes that are brought to these criteria is going to significantly impact on the work that Councils have already done in terms of the modelling of the proposed mergers

and the modellings for the stand alones. And that the fact that will only be communicated to us at the beginning of June, I think it actually, in terms of process it seems to me very, very clear that that actually makes it not difficult but impossible for Councils to actually turn around and re-model in that very short timeframe, let alone try and consult on it. And I would ask that actually the Chair, I would ask for a commitment from you that you go back to the Government and say "Look, this timeline, in terms of the consultation, in terms of the timeline and going back to the Councils with the final criteria makes it simply impossible for the Councils to make submissions within this framework, and we'd ask that there be a significant extension on the timeline." [applause]

[Chairman:] Okay, thank you Rochelle. We'll take input on the timeline, including yours, and consult amongst ourselves and then look at whether we will approach Government or not. Okay, any other questions? Larry with an 'L'. Oh, Barry, sorry.

[Larry:] Just following up on my previous question about the seven performance indicators, and you've said that it's not necessarily for Councils to meet all seven. Are there any which IPART regards as being performance indicators which Council must meet. In other words, that it might be say, some essential performance indicators and desirable performance indicators, and if you can't give that answer today, will you undertake to indicate whether there are any essential criteria when you publish the results of these consultations?

[Chairman:] Right. Thank you Barry. My understanding, and I'm going to ask the staff to correct, is that there are three criteria, and there are seven indicators over three criteria. For example, one criteria has three indicators.

[Lucy:] Two have three and one has one.

[Chairman:] Two have three and one has one. And I thought it was relatively clear in the paper about what you needed to do on that. So I'll now hand over to the staff.

[Lucy:] So the paper outlines which ones are must meet at the moment, in our proposal. And just to, I'd go back to your earlier question Rochelle. The benchmarks within the criteria are set already by the Office of Local Government's papers and templates that it's sent out before. So they won't change. So you're talking about consultation and the work you've already done. What is open for discussion now, and we're seeking feedback on is, have we got it right with the must meet within five years? Have we picked up the most important ones? And the meet or improve. So are they classified correctly, and are the timeframes realistic? But the actual equations themselves will not change.

[Chairman:] Okay. I've got a couple other questions here from the webcast. Neal Farhquerson, Blue Mountains, re benchmarks in Section 4.1 of template two. Question, where it states quote average over three years unquote, is it a rolling average of the three previous years or an average of 2017-18, to 2019-20?

[Lucy:] That'll be an average, rolling average.

[Chairman:] It's a rolling average. Another question from Chandry Saba from Hills re debt service ratio benchmark of greater than zero per cent to twenty per cent. This ratio assumes Councils with no debt are not fit, based on principle that public assets should be financed by borrowings repaid over life of assets. This ignores financially strong Councils that do not need to borrow and have set aside funds over time to replace assets, or provide new assets. Will IPART consider changing this benchmark?

[Lucy:] So, in our paper at the moment, we propose that this is the rate, this is one of the ratios that we will judge using the quantitative figures that are outlined in the paper, but what we have also stated is that if a Council can demonstrate that it has a master management plan that shows a different use of debt than the criteria currently assesses, then we will take that into consideration.

[Chairman:] Okay. Other questions, comments. Yes. Gentleman in the second row.

[Storm:] Thank you. Chairman, Panel, Storm Jacklyn, Palm Beach and Whale Beach Association. I've never been to one of these meetings before, so I'm a bit new at it. It seems to me that this is all about finance and not about communities and societies. I thought we lived in villages or societies, not in a financial bubble. I'm very interested to know that the members of the Panel, who are going to adjudicate on this and come forward with a recommendation, what their expertise is. Could we have a peek? Chair, please could we have a brief description of each member of the Panel's expertise?

[Chairman:] Thank you for that. Our CV's are on our website, for the three members IPART, and Mr John Comrie who was appointed by the Government as a temporary tribunal member for this process, has a substantial background in Local Government. And I'm sure his CV is accessible from the website. Just as a whole, IPART has considerable experience in Local Government area, for about five years we've been doing the special variations. This is quite a big job. Sometimes we get over thirty applications and they all have to be assessed individually. We have quite a big team on Local Government, and a number of analysts. And so, even though their deadlines are tight, we have the capacity to do this job. The Government has asked IPART, with the addition of John to be the Panel, to exercise the inevitable judgement that needs to be exercised, and I have every confidence that we are up to this job. We need to keep in mind what the job is. And the job is to assess Councils, whether they're fit or not fit according to the criteria that emerged out of the Local Government Panel. Okay, any other questions or comments? Yes. Mark.

[Mark:] Yes, thank you. Mark Dunne, speaking from the United Services Union. Can we just go to the slide on the efficiency criteria? Thank you. And I think this has probably been the criteria that has been most widely criticized over the last year or so. Now again I think a lot of that is because the main things that the actual benchmark measure, are cuts to services or declining population. Now I note the use of net of IP and R is useful. I think we'd all agree that that's better than the raw approach that was there before, and Mr Comrie's commented on that in his recent report as well. But I have two specific questions. One was will the benchmark take into account the

efficiency element of the Local Government cost index that already exists, or is it an expectation on top of that? And then the second is will the criteria take into account declining populations, particularly in rural Councils, or will they be basically an assumption that a declining population means that a Council is being less efficient?

[Chairman:] Thanks Mark. Peter, Lucy?

[Lucy:] So when we look at the efficiency in the criteria and all the financial criteria, then we will take in to account all the information that Councils give to us with that, so if yes, there are declining populations and there is a reason for services to change because of those populations mixes, then we will take those into account. Oh, and you asked a question about the productivity on the LGCI. It's a different process, so it wouldn't double count it. You should put your figures in on your expenditure and your revenues based on what you think the rate pay would be. It's not something that would be explicit. Does that answer?

[Mark:] That does answer, but it just seems to me that the impact of that is that it's a criteria that's asking Councils to do in excess of efficiency.

[Chairman:] Is this the Local Government cost index?

[Mark:] Yes. So just in terms of when they're planning their finances.

[Chairman:] Yes, I'm sure everybody in this room's aware of this, but the Local Government cost index which we use to set the rate peg has a small subtraction for productivity improvement. This has been consulted on. I think it's 0.02%, in terms of a deduction from the index. This has been consulted on and the argument is that Local Government like everybody else in the community should be able to achieve some efficiency gains and that ratepayers should see the benefit of that. I'm not quite sure Mark, whether I missed in your question about how that gets into this measure here of real operating expenditures on population. There are issues with this measure which you quite rightly raised about declining population and things like that. We're aware of that, but I'm not sure how the Local Government cost index gets into that. Thank you. One up the back, and then Tom.

[Alia:] Thank you. Alia Karaman, Bankstown. The current definition of operating performance includes a net operating revenue. Now should this include an assumption of a revenue increase as a result of an impending or possible SRV application within the five year period?

[Lucy:] So the figures that you put forward should include all the assumptions that you've made. So if you're looking to put an SRV in, then you should put those figures there. As we said before, it's a different process against different criteria.

[Chairman:] Is your question, if you have a special variation which can go on for a number of years, right? If that's already in place-

- [Alia:] No. It's a new or potential new application given new IPR processes as part of the current cycle of forward planning.
- [Lucy:] So if it's supported by your IPR documents and you've consulted on it, then you should-
- [Alia:] Form an assumption. Form it as part of the assumption.
- [Lucy:] Yes. So you usually put in what you see the future being.
- [Alia:] Yes. Thank you.
- [Chairman:] Okay, thank you. Sorry, up the back and then.
- [Michael:] Michael Marno from Blacktown Council. There's one thing I just wanted to clarify. If you go back to one of your earlier slides with your table, on the own source revenue ratio, you've got consideration of FAGs for rural Councils. Will the consideration of FAGs also apply to metro Councils?
- [Lucy:] There'll be an element of discretion from the Panel whether the FAGs is relevant to be considered in that Council's case. So it'll be to the Council to make the case as to why the FAGs should be included in the figure.
- [Michael:] For a Council like us, we get about \$18-19 million in FAG. It'll mean the difference between us either ticking that box or not ticking that box, to be honest. Just a couple of comments about the other ratios. The operating performance ratio and again, the own source revenue ratio, I think, it's quite difficult to come up with a one size fits all. Again, Blacktown's in a bit of a unique situation with the growth of the city. We're taking on about an extra \$120 million worth of assets each year, which means our depreciation is going up by close to \$3 million annually. In terms of meeting an operating performance ratio with a growth and depreciation of \$3 million annually, it's going to be difficult over a five year timeframe. So again, we'll outline that in our submission, but maybe the five years just isn't long enough. And I'd just make a note about the building and asset renewal ratio. Again, a benchmark of a 100% average over three years, when we've got growth and depreciation, I'd question the rationale behind fully funding depreciation when those assets are really just going in the ground. We might be overcapitalising, or over-renewing in that basis, and I'd also support some of the previous comments around written down value for the infrastructure backlog ratio. It doesn't make sense to be using a written down value when the replacement value is effectively the gross book value.
- [Chairman:] Okay, thanks very much Michael. Tom?
- [Tom:] Thank you. Tom Sherlock from Mossman Council. Listen, I think it's fair enough to look at these different measures in terms of sustainability, efficiency and effectiveness. I think it's absolutely essential that they're based on economics that IPART can stand behind. I think that's what we all in this room expect from IPART, so I think that for example when Mr Halstead talks about the figures around depreciation

and how those are counted across different Councils, I think that if you base, for example, any analysis on figures which are so extremely different between Councils, then I think that that's the kind of very, very basic thing which a) would make your analysis invalid and b) could add a lot of value across Councils in terms of bringing that kind of sense to the sort of world of asset management. So that's just on the sort of side of sustainability, effectiveness and efficiency. I also think it's good that IPART is looking at other areas as well, because I think that one gentleman mentioned these are all important areas in terms of financial sustainability. But what Local Government and Local Councils are really all about is communities. We're all about support for our communities. We all about understanding our communities. We all about kind of reaching out and engaging our communities, and I think that that's a really, really important function of Local Government. I mean, to be honest, I think that's more important than our capacity to engage with State Government if you look at relative priorities, and therefore I would like to see a lot more consideration of what you've labelled as the other area. I mean, I think that there are measures of community engagement and how satisfied the community is with the performance and the priorities and the size and the operation of Council. So you can look at performance satisfaction surveys, and you can look at a whole lot of other measures that would indicate how the community is kind of a healthy community, how it's an engaged community and how it's working with the Council. So for example, things like the level of volunteering. So I think those are really, really important things to be honest. To me, they're certainly as important as all the financial sustainability measures, and therefore I would like IPART to, although maybe some of these things are sort of more difficult to put your hands around than the finances, I think that if you pull together a picture on the finances and you ignored, from my point of view, the prime purpose of Local Government, which is about communities, I think you'd really be missing the point.

[Chairman:] Okay. Thank you Tom. In doing requests for special variations, we do have a criteria which is in community engagement criteria. So we do have some experience in this area, but thank you for that contribution. We'll take it on board. Yes, just one second. I just mentioned that I've got a note here saying, this is for the people on webcast, I've got a note here saying there are some technical questions on webcast, and what we plan - we will endeavour to publish them with answers on our website. Okay. Brian, I think.

[Brian:] Could you give me some advice on a-

[Chairman:] Could you just identify for me.

[Brian:] Brian Halstead from Warringah. Some advice on a merger proposal. If a Council already has approved a special rate variation for 2017-18, how on the merging of three Councils can that special rate variation be applied? Does it mean that in 2017-18, after the Councils are merged, that Warringah residents only will get the 6% increase? Or will the rate increase that is in the income that's being used in these

ratios be spread over all the residents, so the Pittwater and Manly residents will have an automatic 4% rate increase?

[Chairman:] Okay, thank you for that question Brian.

[Lucy:] So if a Council puts a merger proposal to us, then the income, the general fund income that it uses should include the maximum general, or whatever is proposed to use as the maximum general income, for the sum of the Councils. The tribunal doesn't get involved in how the rating is applied across the different rate payers, so we would be looking at the top line. So you've got a number for each Council, this is your maximum general fund income. And you add those together to get them.

[Chairman:] And that happens at the moment, for example, with special variations. If a Council applies for a special variation increase of X and it's approved, they go ahead in that and they might levy more on business and less on residents and vice versa. So that's an issue which Councils wrestle with at the moment. Rochelle?

[Rochelle:] It's a procedural again. I note that you've had some technical questions through the web which you are going to put the answers to up online. Could I request, as we're recording today's proceedings, that every question that has been put to the Panel is recorded and their response is also put up online? So we have a transcript of the response to each question that's been put today.

[Chairman:] We're not responding to all questions put today.

[Rochelle:] If there's no answer, then just say there's no answer, but if there is, can we have that up online please.

[Chairman:] We'll take that on board. In the even there was a technical question today which we've answered, then it will be on the transcript. The issue here is that these technical questions have been put by people on webcast and we've made a suggestion that we don't, rather than ask them now and answer them now, that we'll just put the question and answer online. Alternatively, we can read them out and ask them now and then answer them and they'll be on the transcript. Would you prefer that?

[Lucy:] It's just quite wordy.

[Rochelle:] As long as everything's being recorded so we can get a copy of it.

[Chairman:] Yes.

[Lucy:] It is, yes. It's quite a wordy one and it's about a definition of maintenance and renewals and depreciation. So it gets quite technical, so I think it would probably be more useful to everybody if we put it out on the website in full, with a full answer.

[Rochelle:] That might [inaudible] all the other questions as well are also on the website with the answers.

[Lucy:] So everything else that's been said today will be on the website verbatim, and the webcast will be on the website with captions.

[Chairman:] Yep. Thank you. Okay, anything else? Toni.

[Toni:] It seems like we're about to close, so I just want to make a summary statement, and I just wonder if you could take this on board. We've been asked to present our submissions, particularly if we want to stand alone or we want to resist the recommendation of the Samson Report. We've been asked to present them as superior to the recommendations of the Report. And I asked the Tribunal and the Panel to take on board that the recommendations of the Samson Report come with a qualifying statement in that Report that says that there are no guarantees of benefits or costs savings. So if you could take that on board when you do our assessment against their hypothetical recommendations for merger, and remember that theirs are hypothetical. There is no evidence that comes with them. There is no business case that comes with them, and there are no guarantees. Whereas our business cases will come with supporting evidence as to why we should remain alone. They'll come with qualifications, et cetera. So would you keep that in mind when you deal with the word superior? But it's nice to have something that you can actually make the comparison with, rather than a nebulous recommendation, which we have to accept as a leap of faith. Thank you.

[Chairman:] Thank you. [applause] Okay, anything else? Yes.

[Nella:] Nella Gaughan from Save Our Strathfield. My comment, actually a question is to the Office of Local Government, if I'm permitted. Number one is timeline. I understand and we, down the grapevine that your timeline is prior to September next year to force some mergers. We'd like the Government to come clean on that. Number two is how do you propose to fund \$70-90 million of costs of mergers? Who will bear those costs? And I'm assuming, I mean, I haven't done the model obviously, but putting 70-90 million on a merged Council, I think it would make it unfit for the future. So that's another question for Local Government. The other issue is community. We really need to have more community input. The democratic process I think, has disappeared when it comes to this State Government, in this process of Fit for the Future. And the last point is, one Councillor to 23,000 to 33,000 people is not local representation. [applause]

[Chairman:] Okay, thank you. Steve, would you like to say something?

[Steve:] Steve Orr, Office of Local Government. A couple of issues there just to respond to. Firstly, the way in which this process is worked has been largely driven by the fact that the sector itself requested the Government to commission the work of the independent Local Government Review Panel. That's how this started. What the Government has now said is we have a Report. We will provide a lot of support, a lot of assistance for Councils to consider the recommendations within that Report. For some Councils, there's a proposal to merge. For some Councils, a proposal to stay the same, but it is really up to Councils to consider those recommendations and respond.

And the response is due, as we all know, by 30 June, and those responses will be considered by IPART. There have been no decisions made about what will happen once the IPART Report is submitted to Government. Government will need to consider that Report carefully and decide what it is then going to do, but there are no decisions about what will happen next, as I have said previously. Those decisions haven't been made. Government needs to consider the report from IPART and decide where it goes to from there. In terms of funding, as has been outlined in a range of publications and on our website, the Government has put forward a lot of funding to support Councils who want to voluntarily merge. So for those Councils, particularly in Sydney, there is a large amount of money to assist with the set up costs of a new Council up to, for very large Councils \$22.5 million. So there is a lot of support, a lot of funding. We've also put in place a range of support mechanisms for Councils to assist them to have the conversation, as well as for those, and a number of people have referred to business cases earlier today, to do the business case, to look at what it actually means for those Councils. So there's a lot of support, we're running the Fit for the Future process. Submission is due by 30 June. What happens once the IPART Report is submitted, no decisions have been made.

[Chairman:] Okay, thank you very much Steve. Rochelle, and then Phil.

[Rochelle:] Look, can I put a question to Steve Orr as well. Look, I've been told directly from Mayors that have spoken with you directly, that you've basically said to them no way they're going to survive because they're too small, so they'd better get on with it and just deal with it and get on with mergers. So I don't know if that's correct or not, but perhaps if you could qualify exactly what advice you're giving to Councils it'd be helpful.

[Steve:] Steve. Yes, another interesting question, but in terms of the answer, the answer is what we've been saying. We've been saying here is the Report which the Panel, here is the Panel Report. Here are the recommendations within the Panel Report. The Government's provided a lot of support to assist Councils to consider those recommendations. The first thing, as we've heard today which you need to address, is the question of scale and capacity. And having addressed that question, that really determines which of the three templates Councils will use, whether that's the standard stay as you are, the merger template or the rural Council template. We're not providing specific advice on what individual Councils need to do. What we are saying is that that is a matter for the Councils themselves to decide which way they want to move forward. Government will support and has put in place a lot of support arrangements to assist Councils through the process.

[Chairman:] Thank you Steve.

[Rochelle:] Will you support small Councils if they want to stay small?

[Chairman:] So hang on Rochelle. If you want to ask a follow up question, you need a microphone. Phil?

[Phil:] Phil Jenkin, Hunter's Hill community. I've got a timeline here in front of me. It's been put out by Government as I understand it. It's called timeline and next steps, and it's got October 2015, IPART makes recommendations to New South Wales Government based on submissions. March 2016, implementation based on New South Wales Government decision. September 2016, Local Government elections based on new Councils. And it's pretty clear from this that regardless of what you're saying frankly, that oh no, no, we're going to listen, that there is a timeline quite specifically based upon forcing Councils to merge and then have an election on the new Councils, all the merged Councils in September 2016. That's how the community interprets this. If it's not so, then you get up and say so.

[Chairman:] Phil, I don't have that document in front of me, but that says that where the - decide to go ahead with a merger, that timeline would fit. It doesn't say anything about forced mergers. Steve?

[Steve:] Sorry to get up again Mr Chairman, but that's exactly right. For those Councils who do wish to go through with a voluntary merger, that time frame is correct, because ultimately we've got the Local Government elections which are going to be held in September 2016, and for those Councils who do want to go ahead with a voluntary merger, of which there are a number considering it around the State, they have a lot of work to do. And they have to put in place a whole range of things to get ready for their new Council. And really, that time frame which you're alluding to is about those Councils who want to proceed with a voluntary merger, keeping in mind the Local Government elections in September 2016.

[Chairman:] Okay, thank you very much Steve. Okay, I think that's about it. Any last questions? There's one here from the webcast, which I'll ask. Gary Murphy from Lismore. Page 38 of IPART paper proposes that the Auditor-General would monitor the fit for the future proposals. Question, if the Auditor-General's opinion is that the Council is not following their proposal, would that result in a qualified audit? Question two, could the OLG issue an improvement notice to that Council? Can you guys?

[Lucy:] Our current terms of reference take us to the middle of October where we provide a Report to the Government. We are consulting on potentially how these proposals could be monitored in the future, but we're not subject or party to that, what will be done with information at that point.

[Chairman:] Thank you. Steve, do you want to add anything?

[Steve:] Just very quickly, it's certainly been raised with us, when we've been talking to Councils about, you know, a Council may have a plan to become fit for the future, and that plan may be supported through the IPART process, but what things are going to be put in place to ensure that that plan is followed through with. And I know within the office, we've been talking about how monitoring actually does occur. We are yet to meet, or yet to come to any firm conclusion or decision about how that actually would occur, but it is an issue which has been raised with us by Councils about what happens if we don't stick to our plan. What is actually going to occur? What are the

implications of actually that occurring? So we're looking at what that means, and we'll be discussing approaches and processes with the sector.

[Chairman:] Okay. Thank you very much Steve. I think I'll wrap up now, just 20 minutes early but that's okay. And thank you very much for attending today's forum and for your contribution to help us to understand better what's required to develop an assessment methodology for the Council Fit for the Future proposals. The transcript from today's forum and the webcast will be available on our website within the next week. Just some key dates to submit written submissions in by 25 May. Council applications in by 30 June, and IPART will provide its Report to the Government, to the Minister and the Government on 16 October. Once again, thank you very much and have a good day.