



Ashfield Council

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22 May 2015

Methodology for Assessment of Council Fit for the Future Proposals
Independent Pricing and Regulatory Tribunal
PO BOX K35
Haymarket Post Shop
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To Whom it May Concern

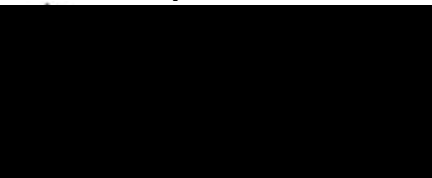
Re: Submission to IPART - Draft methodology for assessment of Council Fit for the Future Proposals

Ashfield Council welcomes the opportunity to provide feedback on IPART's draft methodology for assessment of Fit for the Future submissions. We note the questions posed in the Consultation Paper and have responded to two out of five. In addition, we raise the following issues of concern:

1. Scale and Capacity criteria remains ambiguous in terms of its evaluation
2. Time line for consultation on draft methodology
3. Consideration of social and community context and community consultation is vague
4. Lack of contingency for Councils unable to meet 30 June 2015 deadline, when negotiating a merger option

These are discussed in the attached submission and recommendations, for IPART's consideration.

Yours faithfully



Vanessa Chan
GENERAL MANAGER

SUBMISSION

Methodology for assessment of council fit for the future proposals – consultation paper

Introduction

Ashfield Council welcomes the release of the above consultation paper, providing some detail regarding the assessment process for the Fit for the Future proposals. The consideration for social and community context; community consultation process and outcomes; and opportunity for the public consultation on council submissions are welcomed inclusions to the assessment process. Notwithstanding, there remains a number of serious issues that the current draft methodology document fails to address.

The Consultation Paper poses the following questions, on which Ashfield Council provides comment in this submission:

How should the key elements of strategic capacity influence our assessment of scale and capacity? Are there any improvements we can make to how we assess the scale and capacity criterion, consistent with OLG guidance material?

Scale is suggested by the ILGRP Final Report as a means to achieve strategic capacity. Therefore demonstrating strategic capacity, rather than scale, is ultimately more important. See Issues of Concern – 1 and Recommendations 1 and 2.

How should councils engage with their communities when preparing FFTF proposals? Are there other factors we should consider to inform our assessment of council consultation?

Ashfield Council is committed to rigorous and open discussion with our community. To this end, we support IPART's consideration of the information and methods used to engage community on the issues of the future of local government for their area. See Issues of Concern – 3 and Recommendations 5, 6 and 7.

Summary of issues

Ashfield Council raises a number of issues with the proposed methodology, as outlined in IPART's consultation paper:

1. Scale and Capacity criteria remains ambiguous in terms of its evaluation
2. Timeline for consultation on draft methodology
3. Consideration of social and community context and community consultation is vague
4. Lack of contingency for Councils unable to meet 30 June 2015 deadline, when negotiating a merger option

Summary of recommendations

In response to these issues, and IPART's questions within the Consultation Papers, Ashfield Council makes the following recommendations:



Ashfield Council

1. That IPART give equal weighting to consideration of quantitative measurement of scale and the qualitative judgement of strategic capacity;
2. That a demonstration of strategic capacity, without scale, is deemed to meet the threshold criterion
3. That equal space within Template 2 – Improvement Plan is given to address the threshold criterion, and therefore the most important criterion, relative to the other three criteria
4. That the timetable is extended beyond 30 June 2015 to allow sufficient time to respond appropriately to IPART's finalised methodology and changed circumstances.
5. That IPART consider social and community context and community consultation concurrently with assessment of scale and capacity
6. That IPART allocate weightings to the consideration of social and community context and community consultation, relative to the four OLG criteria
7. That IPART amend both templates 1 and 2 to provide adequate opportunity to address social and community context, and community consultation processes and outcomes
8. That IPART provide a process to grant extensions to councils that are genuinely working towards a merger case and that this extension should allow councils to submit either Template 1 or 2, subject to the outcomes of their negotiations

Issues of Concern

Ashfield Council attended IPART's Sydney Public Forum on 11 May 2015 and note that our concerns were shared by other councils, stakeholders and members of the public. The following issues are discussed in the context of both the Consultation Paper and the guidance or comment provided by the IPART Tribunal and staff at the Public Forum.

1. Scale and Capacity criterion remains conflicted in terms of its evaluation

Scale *and* capacity are set as the threshold criteria as per IPART's recommendation to OLG¹, not scale and *then* strategic capacity. IPART has indicated that it will first assess scale, and then strategic capacity. Therefore the actual threshold criteria is scale, not capacity. We provide the following comments about both the assessment of scale and strategic capacity.

IPART has suggested the use of quantifiable measures of 'scale' being population size and a target number of councils. Neither the ILGRP's Final Report nor the NSW Government have specified an appropriate minimum population size or target number of metropolitan councils.² The local government sector has been calling for clarity on this issue since the announcement of Fit for the Future in 2014. To provide clarity in the final weeks before proposals are due is considered to be a grave procedural injustice.

If there is a target number which we will be measured against, we ask that this is published by IPART immediately. Using either population or target number of councils significantly changes how councils are able to respond to the Fit for the Future process. It effectively sets councils who are not merging up to fail the process, regardless of whether

¹ IPART, *Review of criteria for fit for the future – Final Report*, September 2014

² Although analysis of the ILGRP's recommendations for mergers and remain stand alone councils indicates both a target

² Although analysis of the ILGRP's recommendations for mergers and remain stand alone councils indicates both a target number and average population size for metropolitan councils.



they have strategic capacity, meet the three other criteria and are serving their community's best interests. It also does not consider the first criterion to be 'scale *and* capacity.'

There is an inherent assumption that 'scale' and strategic capacity are linked. ILGRP Final Report's recommendations, ultimately, seek to support councils who currently struggle to achieve strategic capacity. To suggest a causal relationship, does not provide a fair opportunity for councils without scale to demonstrate that they have strategic capacity. Again, this is a procedural injustice.

Furthermore, there remains ambiguity in *how* IPART will assess the elements of strategic capacity. Responses to this question during the Sydney Public Forum fail to provide any useful direction. We seek clarity in how IPART will judge elements of strategic capacity and what evidence IPART is seeking in its judgement.

Furthermore, as scale is intended to support struggling councils to achieve strategic capacity, we argue that **scale and strategic capacity are given equal weighting in the consideration of whether councils meet the threshold criterion**. That is, councils can demonstrate 'fitness' by either scale (by population size or target number of councils) OR strategic capacity, since strategic capacity is the ultimate goal of this criterion.

Recommendation 1. That IPART give equal weighting to consideration of quantitative measurement of scale and the qualitative judgement of strategic capacity;

Recommendation 2. That a demonstration of strategic capacity, without scale, is deemed to meet the threshold criterion

Recommendation 3. That equal space within Template 2 – Improvement Plan is given to address the threshold criterion, and therefore the most important criterion, relative to the other three criteria

2. Timeline for consultation on draft methodology

Councils began their preparations to respond to Fit for the Future in late 2014. These preparations have been guided by the Minister's announcement of the Fit for the Future package and subsequent advice and releases by the Office of Local Government. The release of the IPART draft methodology comes very late in the process. While we welcome opportunity to be consulted, there is less than one month, at best, between finalising the methodology and the deadline for proposals. **The limited time does not allow sufficient time for Council to adapt draft submissions and respond adequately to any changes from the draft to final methodology.** The current timetable suggests that either it is unlikely that the draft methodology will change, regardless of the consultation process, or that IPART and/or the NSW Government do not wish to allow sufficient time for Fit for the Future proposals to be amended to address the finalised methodology.

For the consultation process, and indeed the Fit for the Future process, to be a genuine opportunity for Local and State Government to engage with, address and/or implement the ILGRP recommendations, we ask that the timetable be extended in order for our Council and our community to consider our best response in a changing environment.



Recommendation 4. That the timetable is extended beyond 30 June 2015 to allow sufficient time to respond appropriately to IPART's finalised methodology and changed circumstances.

3. Consideration of social and community context and community consultation is vague

We welcome the consideration of both the social and community context and community consultation processes and outcomes by IPART in assessing council proposals. However, at present, this consideration is an additional factor informing overall assessment only. The proposed assessment process (Figure 1.1, page 8 of Consultation Paper) fails to indicate where in the process these important factors will be considered and what bearing they may have on the assessment.

There is inadequate space provided in either template one or two to address the social and community context and provide IPART with sufficient information with which to make a judgement. Template 2 does not provide any dedicated space to address community consultation. We suggest that the templates are amended to reflect the information IPART has indicated is required in order to make a fair and informed assessment.

Recommendation 5. That IPART consider social and community context and community consultation concurrently with assessment of scale and capacity

Recommendation 6. That IPART allocate weightings to the consideration of social and community context and community consultation, relative to the four OLG criteria

Recommendation 7. That IPART amend both templates 1 and 2 to provide adequate opportunity to address social and community context, and community consultation processes and outcomes

4. Lack of contingency for Councils unable to meet 30 June 2015 deadline, when negotiating a merger option

The objective of Fit for the Future is to facilitate councils to progress mergers on a voluntary basis. The timetable for Fit for the Future was already challenging in allowing sufficient time for merger partners to reach a consensus. The release of IPART's draft methodology and its timetable for consultation further exacerbate the limited time allowed. IPART's proposed process and timetable fails to provide an alternative pathway for groups of councils that may be close to realising a merger case. **We suggest provision of extensions beyond the 30 June 2015 deadline for councils that are genuinely working towards a merger case.** To not provide this option is both unsupportive and contradictory to the objective of Fit for the Future, that is to facilitate *voluntary* mergers.

Recommendation 8. That IPART provide a process to grant extensions to councils that are genuinely working towards a merger case and that this extension should allow councils to submit either Template 1 or 2, subject to the outcomes of their negotiations

Conclusion



Ashfield Council

While Ashfield Council welcomes the level of detail provided and the consideration given by IPART to the framework for assessing Fit for the Future proposals, there remain a number of issues presenting challenges for councils to appropriately respond to Fit for the Future, and for IPART to assess these responses. It is possible that the majority of these issues can be resolved, resulting in a fair and transparent assessment process.

However, the constrained timetable for IPART to respond in a meaningful way to the concerns of all stakeholders and then provide sufficient time for councils to prepare detailed proposals that address all IPART's requirements remains a challenge. The entire Local Government sector, with the Office of Local Government, other NSW agencies and ILGRP, has invested an exorbitant amount of time, resources and effort into this process since 2011. Ashfield Council has actively participated and genuinely engaged in this process. To rush the final stages of our review and reform process would call into question the purpose and intent of the Fit for the Future agenda.

May 2015