



fit for the future

Bellingen Shire Council

Submission to IPART regarding the proposed 'Fit for the Future' Assessment Methodology

25 May 2015

INTRODUCTION

Bellingen Shire Council acknowledges the appointment of the Independent Pricing and Regulatory Tribunal (IPART) as the independent expert panel to assess NSW council submissions to the Fit for the Future program as announced on Monday 27 April 2015. Bellingen Shire Council also acknowledges the subsequent releasing of the proposed assessment methodology and the invitation to all interested parties to provide submissions addressing the matters discussed.

The information provided in this document reflects Bellingen Shire Council's submission to IPART in response to the proposed methodology.

CONTEXT

In developing a response to the proposed methodology, Bellingen Shire Council (Council) has chosen to focus on the key issues it would like IPART to consider, particularly given the timeframe for IPART to review submissions and the release of the final assessment methodology.

Council also makes notification that the constrained timeframe, in terms of the consultation period, has not allowed, what Council would consider as, an appropriate level of conference with our elected members. As a consequence, this submission has not been subject to formal consideration by Council. A late report, including a copy of this submission, will be considered by Council on 27 May 2015.

PROPOSAL METHODOLOGY QUESTIONS AND RESPONSES

Within the above stated context, Council makes its submission and addresses the 'Questions for stakeholder feedback' as outlined on page 11 of IPART's proposed assessment methodology document.

Question 1: *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 propose to assess the scale and capacity criterion, consistent with OLG guidance material?*

Response: Bellingen Shire Council accepts the recommendation of the Independent Local Government Review Panel (ILGRP) in its assessment of Council's scale and capacity. Council's only commentary regarding Question 1 is that IPART consider the ILGRP's approach of one size **does not** fit all. Council strongly recommends consideration of the unique characteristics of each council, particularly those in non-metro areas, including geography, uncontrolled external influences, communities of interest, demographics and local identity.

Question 2: *Which of the 'Rural Council Characteristics' are the most relevant, considering a council must satisfy a majority of the characteristic, to be considered a rural council?*

Response: Council does not fit the 'Rural Council' model and therefore has not provided commentary in relation to this specific question. Council has, however, made mention of some considerations, with regards to Question 3, that relate to the assessment of rural councils, in particular, the benchmark timeframes. The Rural Council model appears to offer a much more realistic set of time horizons relative to performance against the ratios. Bellingen Shire Council requests that a more realistic time horizon be considered for non-urban councils.

Question 3: *Are there any improvements we can make to how we propose to assess the sustainability, infrastructure management and efficiency criteria, consistent with OLG guidance? Are there issues that we need to consider when assessing councils' proposals using the measures and benchmarks for these criteria?*

Response: Council is of the view that the IPART assessment process must be consistent and reflect the original information and guidelines that the Office of Local Government (OLG) has been, and still is, presenting to councils particularly in relation to the assessment of the sustainability, infrastructure management and efficiency criteria. In terms of the timeframes for councils to meet the criteria benchmarks and measures, the OLG is quoted below.

"You do not have to meet all the benchmarks by 2020 to become Fit for the Future – but you do need to have a plan in place to continue working towards these goals". Fit for the Future Regional Presentation – Templates 1 and 2

"Some councils may not be able to achieve the own source revenue targets – but you must show that you are trying to improve your situation". Fit for the Future Regional Presentation – Templates 1 and 2

"Councils that prepare a sound proposal, showing that they have the appropriate scale and capacity and have developed a plan to improve their performance will be considered as Fit for the Future". Fit for the Future website – What does this mean for my council?

“Becoming Fit for the Future is a process. Some councils will take longer than others to achieve their goals. The important thing is that your council has a sound and credible plan to improve its situation”. Fit for the Future website – Preparing a proposal

The information outlined in the IPART assessment methodology documentation states that councils, with the exception of Rural Councils, ‘Must meet within 5 years’ for the Operating Performance, Own Source, Debt Service and Real Operating Expenditure per capita ratios with the other ratios assessment approach cited as ‘Meet or improve/inform within 5 years. This appears to be a direct contradiction to what councils have been advised and are working towards in terms of their Fit for the Future submissions since September 2014.

While the IPART methodology indicates consideration of additional supporting information, Council would urge IPART to reconsider the timeframes placed on councils to meet the benchmarks to enable a more realistic approach in their plan and intentions of becoming sustainable and meeting the delivery and service expectations of their communities, within a context that is sustainable to councils and their communities.

In particular, a more realistic approach to the timeframe assessment of non-metro local government areas is needed. Council asks that IPART undertake deliberation into adopting the rural model approach for these councils or alternatively, a separate approach that undertakes assessments based on the grouping of councils. While Bellingen Shire Council is classified as a Group 11 council, we fall just outside the Rural Council model which indicates the need for a more realistic, rural model type assessment approach.

Non-metro councils are often faced with dynamics that should be recognised as part of the assessment against the Fit for the Future benchmarks. These, in particular, include the level of disadvantage of local communities. Bellingen Shire Council is ranked low on the SEIFA Index meaning it has a high level of disadvantage (in the top 50 councils).

The impact of natural disasters on particular ratios, in particular funding for disasters, should also be recognised. Unfortunately, natural disasters make councils vulnerable not only in terms of impacts on communities and regular works programming but also on the Fit for the Future ratios. For example, while natural disaster funding may show a positive effect on one ratio (Own Source Revenue), it will also have a negative effect on others such as the Infrastructure Maintenance ratio. Bellingen Shire Council is prone to flood events with 13 natural disaster events declared since 2001. In terms of the impacts on the various ratios, finding a balanced and fair approach to how they are assessed as part of the Fit for the Future process is imperative.

Question 4: *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? Please explain what these other factors are, and why they are important.*

Response: The level of assessment on consultation should be reflective of the original OLG guidelines. The OLG guidelines states, ‘You may wish to consult...’ or ‘If elected representatives, staff or community members were involved...’ Discussions with the Relationship Manager also indicated that it was up to each council to determine the level of consultation, however, it was not a prerequisite in terms of the assessment process.

Consideration into the recommendation of the ILGRP and the template each council completes should be taken into account. For example, if a council has been recommended for a merger, the level of consultation will be higher than those councils recognised as having the appropriate scale and capacity and recommended to stand alone under a Joint Organisation arrangement like Bellingen Shire Council.

Consideration should also be given to the various initiatives that have already been undertaken over the last couple of years including community surveys, Special Rate variations and the IP&R process.

Council has undertaken a strategy of engagement that includes councillor workshops, consultation with representative assemblies, community opinion leaders as well as putting our various plans on exhibition including the Operational Plan and Long Term Financial Plan that includes the Fit for the Future ratios and activities. Council has also established a Fit for the Future Information Centre on Council’s website that provides an opportunity for the community to become informed and further engage with Council.

Council's current community engagement framework, strategy and policy is designed to support a long-term relationship with our community. Our community has told us that they want to be engaged and informed. Council's engagement strategy lays the foundation for ongoing consultation with our community particularly as Council moves through the ongoing process of local government reform.

It is important that IPART, when assessing submissions, considers the level of consultation commensurate with the recommendation of the ILGRP, the advice from the OLG that has been acted upon, the type of proposal each council is required to submit and the relative resourcing impacts.

Question 5: *Should council performance against FFTF proposals be monitored? If so, are there any improvements we can make on the approach outlined for councils to monitor and report progress on their performance relative to their proposals?*

Response: Given the scale of change involved in the Fit for the Future process, Council recognises the importance of regular reporting against the Fit for the Future ratios. Council is of the view that existing reporting mechanisms, such as the Annual Report, should be used to monitor performance against the FFTF proposals.

Councils report annually on a number of financial and operational matters including Note 13 (Statement of Performance Measures) and Special Schedule 7 (condition of public works or asset condition). These Codes of Practice are designed to provide a framework for the preparation and reporting of expected income and expenditure as well as provide a mechanism that will ensure the appropriate accounting policies and practices are implemented by all councils. Updating the annual report to reflect the Fit for the Future requirements would exclude the need for additional reporting and allow councils to continue business as usual.

The IP&R process is a much better process for councils and needs the appropriate time to succeed. Each council will be required to review their IP&R framework, post 2016, providing an opportunity to embed any additional reporting requirements. Incorporating the Fit for the Future Action Plan into the IP&R process will also alleviate the need for additional work.

Monitoring and reporting on the progress of councils' performance relative to their proposals should be undertaken through these existing mechanisms.

OTHER CONSIDERATIONS

Council would like to express to IPART the impacts of cost shifting by other levels of government, in particular State government, over many years. This cost shifting represents millions of dollars of local government earnings that could be used to alleviate the burden of infrastructure backlogs and/or maintenance. Cost shifting, with examples including swimming pool inspection programs and emergency services management, impacts on councils' ability to perform against the Fit for the Future ratios.

Council would also find it constructive to understand IPART's approach to the development of the proposed methodology. At the time IPART released its methodology on 27 April, the Fit for the Future process was seven (7) months into its progression towards the 30 June submission deadline. Certain factors outlined in the proposed methodology, as indicated in this submission, have impacted on the way councils now need to inform their Fit for the Future submissions.

The proposed release of the final methodology in the week commencing 1 June, provides a maximum of four (4) weeks for councils to make any necessary amendments to their Fit for the Future submissions to ensure their responses align to the final assessment criteria.

CONCLUSION

Bellingen Shire Council recognises the need for local government reform. Providing it is done with clear consideration, the Fit for the Future process can assist councils in preparing a roadmap for future sustainability.

Council trusts that, as the independent expert panel, IPART will take a holistic view and approach in recognising that all councils are different. To take a single, black and white approach to assessing councils may not necessarily produce the outcomes the NSW government is looking for. While Bellingen Shire Council has some apprehension to the proposed process, it appeals to IPART to ensure the right decisions are made for the sustainable future of local government.

Bellingen Shire Council thanks IPART for the opportunity to present a submission on its proposed assessment methodology.