

Submission – IPART



Methodology for Assessment of Council Fit for the Future Proposals

Please find below Berrigan Shire Council's submission on the proposed methodology for assessment of Council Fit for the Future Proposals.

If you require further information, please contact Matt Hansen, Director Corporate Services at the Council administration office.

P: (03) 5888 5100



1. **Minimum population size and target number of Councils** – this needs to be transparent in the final document to allow Councils to make their submission in full knowledge of these targets.
2. **Box 3.1. Key elements of Strategic Capacity** – IPART should provide some measures it proposes to use to measure these key elements or how it proposes to determine if these elements are in place. Some clarity is needed especially for “Knowledge, Creativity and Innovation”, “Credibility for more effective advocacy” and “High level political and managerial leadership”. Some clarity around definitions will allow councils to better focus their submission.
3. **Creating a regional centre with the scale and capacity to anchor a Joint Organisation** – some clarity would be useful here – what would such a regional centre look like and what if an area does not have a natural regional centre – is IPART's role to pick a winner and make it the “regional centre”
4. **Address “councils at risk” in regional areas through amalgamations with adjoining areas** – Does this mean that IPART will recommend amalgamations for Councils that it deems “fit” if its neighbours are deemed “unfit” and IPART considers amalgamation is a solution?. This is not clear in the proposed methodology as written. IPART should also consider the scope for the “adjoining area” council to absorb the issues relating to the neighbour “council at risk”

5. **The ILGRP identified Group D councils as potential merger partners with one or more Groups B and C councils ... the merger possibility must be explored** – what evidence are IPART looking for when assessing if a council has conducted an “exploration” of a merger possibility?

6. **Therefore we will consider the impact of FAGs when assessing the sustainability of rural councils** - Does the term “rural council” here apply to all councils in a rural area or just those completing Template 3? This council would argue for the broader definition; the impact (and stability) of FAGs applies to all rural councils, not just those considering Template 3. It would make the difference for this council being able to meet the Own Source Revenue benchmark.

7. **Table 3.3 Own Source Revenue: Must meet within 5 years** – if consideration of FAGs is not given, this Council will never meet this benchmark. Amalgamating this council with any or all of its neighbours will not get it any closer to meeting this benchmark. Low density rural areas are more reliant on external sources of funding than densely populated areas and this does not change with size. For this Council to meet this benchmark, it would need to raise rates by 50%. There is limited capacity to pay this level of increase and, if FAGs are considered, no need to do so. Raising an arbitrary level of Own Source Revenue simply to meet a benchmark does not lead to good decision making.

In addition, including capital grants in the denominator of this benchmark has the perverse effect of discouraging councils from seeking assistance from other levels of government to improve its infrastructure. This council will receive a grant of \$2.5m from the “Fixing Country Roads” program to improve a road that provides access to heavy vehicles using a key grain receival point in Tocumwal. A grant this size for a council the size of Berrigan Shire Council will have a massive negative effect on the Council’s Own Source Revenue result. If this council was to focus narrowly on meeting the sustainability benchmark, it would be better off refusing this grant. However, this would lead to a poorer outcome overall – for this council, its community and the overall economy.

This council has serious concerns with this measure being used at all as an indicator of sustainability but if it must be used then the benchmark should not be “one size fits all” and the numerator should include FAGs.

8. **Real Operating Expenditure – population size** – this Council has no confidence in the population figures provided by the Department of Planning or the Australian Bureau of Statistics.

The Department of Planning use a “top down” method where the population figure for a particular local government are more dependent on the figure determined for its region and its neighbours. Over the past 15 years, the Department of Planning has forecast that this council’s population would decline and despite this the ABS considers that the population has consistently grown over this period.

The ABS figures, while closer to reality, have been “realigned” over the past few years and don’t reflect local knowledge on the ground.

The council commissioned a demographer to assess future population trends for its local government area – based on local information combined with actuarial trends. It considers this to be considerably more accurate than the general purpose material provided by the Department of Planning or the ABS. This council should be free to use its own population data, provided it can demonstrate that it is credible.

9. **“We will also consider how balanced was the information that is provided to the community”** – This council is seeking some clarity about what is expected (noting it will be too late to make any adjustments even if IPART provides some guidelines. In the view of this council, it would be doing its community a disservice should it present both choices (i.e. a merger or standing alone) as equally good for the community. This council considers that it should provide the facts it has at hand for all options but it has an obligation to inform its community if the facts show that one option is demonstrably better than the other.

10. **The impact of Water Utility performance** – The assumption in the proposed methodology that sharing of costs between water, sewer and general funds is “cross subsidisation” unless it is a dividend or a loan is not correct. This council’s general fund provides governance, administration and technical services for all three funds. This provides all three funds with economies of scale – in that they all share the cost of a General Manager, finance services, engineering services and the like. Removing the water and sewer funds from this assessment risks reaching a misleading conclusion about the appropriateness of the Council’s governance, administration and technical service structure and resourcing.

Further on this point, this council considers that its water and sewer functions are core parts of its operations and no different in effect to urban councils parking and child care functions – both of which are at least as autonomous as water and sewer functions but are allowed to be included in the core assessment. This council would urge IPART to take a broad position on the inclusion of water and sewer activities in its consideration of council’s performance of all four criteria.