

# COFFS HARBOUR CITY COUNCIL



Our ref: 5583307

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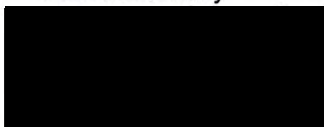
Dr Peter J Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal of NSW  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Mr Boxall

**Submission on the Methodology for Assessment of Council Fit For the Future Proposals**

Attached is Council's submission in response to the consultation paper released on 27 April 2015.

Yours faithfully



Steve McGrath  
General Manager

SCM:lme

# Submission to IPART On the Methodology for Assessment of Council Fit For the Future Proposals



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May 2015



*Helping to achieve the 2030 Community Vision*

## Introduction

Council is making a submission on the “Methodology for Assessment of Council Fit For the Future Proposals” consultation paper released by IPART on 27 April 2015.

## General Comments

1. Scale and Capacity is a threshold criteria and in addition there are the other three criteria with six benchmarks. The combination of these will be assessed to determine if a council is fit. This combination assessment is therefore partially subjective or at least judgements need to be made as to what weight to give to particular criteria and benchmarks. This weakens the objectivity of the assessment process and leads to additional uncertainty for Councils.
2. There are inherent flaws in certain benchmarks, in particular:
  - a. Asset Renewal Ratio – greater than 100% averaged over three years. Given the longevity of the infrastructure, a far longer period of averaging is required to use greater than 100%. Alternatively the benchmark threshold should be lowered to say 60-80% if a short timeframe is to be applied. Short timeframes also do not adequately take account of the asset class(es) renewal profile(s).
  - b. Infrastructure Backlog Ratio.
    - the ratio contains the highly subjective component, Estimated Cost to bring Assets to a Satisfactory Condition. There is no consistency in the measurement of this across Local Government.
    - the inclusion of Condition 3 assets in the ratio is spurious as the definition for these is that maintenance is required and not renewal. Renewal is only required for Conditions 4 and 5 and this should be the focus of this ratio.
    - The use of Written Down Value is inappropriate in an infrastructure sustainability measure as it is likely to lead to inconsistent and potentially unreliable policy decisions.
  - c. Real Operating Expenditure Per Capita – in a relatively young and growing community such as the Coffs Harbour LGA, a reduction in this ratio is unrealistic. Not only does it assume economy of scale will be available generally, it assumes the same level of service continues to be provided over time. Given the history of cost shifting to Local Government and the general requirement by communities to have improved services over the longer term, this ratio at best should be viewed with a long term time horizon in mind.

3. Submissions on this consultation paper close on 25 May 2015 with the final report on the assessment methodology due to be released in the week commencing 1 June 2015. The tight timeframe for IPART to consult on and revise the methodology, the limited time for councils to amend proposals in light of the revised methodology and the short period for IPART to assess proposals is less than optimal.
4. The alignment with the Integrated Planning and Reporting (IP&R) framework is strongly supported. To address any ambiguity of methodology application the IP&R guidelines should be used in conjunction with Australian Infrastructure Financial Management Guidelines (AIFMG), International Infrastructure Management Manual (IIMM) plus codes and circulars by the Office of Local Government.
5. The 'meet OR IMPROVE' approach is strongly supported. Under IP&R councils who have a 10 year strategy in place to achieve financial sustainability are not likely to be in a position to meet a Fit for the Future target in 3 years but should be able to demonstrate improvement.

## **Conclusion**

Council has concerns regarding the partial subjectivity of the assessment process, inherent flaws in three of the benchmarks and the tight timeframes that apply to the whole process.

On a positive note, alignment with the IP&R framework and the 'meet or improve' approach is strongly supported.