

COOLAMON SHIRE COUNCIL SUBMISSION

METHODOLOGY FOR ASSESSMENT OF COUNCIL FIT FOR THE FUTURE PROPOSALS

In accordance with the process of consultation with the Independent Pricing and Regulatory Tribunal (IPART) assessment of Councils in regard to the Fit for Future (FFF) proposals, Council would like to submit the following:

Coolamon Shire Council (CSC) feel that there are some inconsistencies within this document that require clarification. Within this methodology there are confusing statements that conflict not only within the existing document itself, but also the final report of the Independent Local Government Review Panel (ILGRP). In addition, there still seems to be a disconnect between verbal information and dialogue from Government Officials and Politicians given to Councils and the written information provided.

In order to give some structure to the submission, the questions for Stakeholder feedback on Page 11 have been used:

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| <p>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?</p> |
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CSC believe that the element of strategic capacity should influence an assessment of scale and capacity. CSC believes that the Joint Organisations (JO) have not been properly considered in the methodology. As has been identified by CSC and numerous other representations, the previous benefits and proposed opportunities of a successful Regional Organisation of Councils (ROC) or new JO should be considered.

The assessment of scale and capacity should be outcomes and service delivery based and not focused on population or a target number for Councils in regional areas. The Methodology has identified but conflicts with this issue with the statement on Page 23 that IPART “will consider the following ILGRP objectives: For Regional and Rural Areas: - ensure that Local Government in these areas remains in place and is “fit for purpose”.

Concern is expressed over the reappearance of population figures and target numbers in this discussion. It was Council’s understanding that the ILGRP report based its principles on outcomes and not arbitrary population figures. In addition to this matter IPART have now developed in 3.2.1 on Page 21, ‘a target number of Councils in the Metropolitan or Regional area’. There is no evidence of any previous document indicating a target number of Councils for regional areas and this appears to be a step outside of the Terms of Reference (TOR) for IPART.

Council seeks clarification over the definition of “properly assessed” with regard to submissions from Group C or possible Merger Councils. The methodology document

indicates that as a preferred option was not identified by ILGRP for Coolamon Shire Council a 'business case' should be included in helping to assess Council's submission. This is contrary to previous advice and creates a financial and time frame burden that is unrealistic and expensive.

2. 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?

There seems to be some confusion between the IPART methodology and the Rural Council Template and guidance material. IPART indicates that all Councils must prove that they meet the Rural Council characteristics but the template identifies that this is optional for Group C Councils. Clarification needs to be established as to how this will be assessed. IPART have advised Councils and been supported in this statement by the Office of Local Government (OLG) in that the Template will not be changing.

In addition, Template 3 describes 1.2 Scale and Capacity and then lists each of the Rural characteristics and Councils ability to meet these characteristics. This does not allow any opportunity to prove that scale and capacity is being achieved despite some of these characteristics being portrayed as negative to Rural Councils.

On the whole, proving to meet the Rural Council characteristics and not being given the opportunity for providing or proving positive scale and capacity is a negative aspect of this methodology. For example, rather than the last point in Box 2.1, Page 18, saying 'limited options for mergers', it could indicate "options to participate in a JO".

Under a 'one size does not fit all' acknowledgement these characteristics will provide different challenges to different Councils and therefore their importance or weighting should not be used arbitrarily but rather in full consideration of all characteristics.

However, as this Council is required to advise on the importance of these characteristics then CSC would rate Item 6 & 9 in box 2.1 as minor considerations in this process.

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?

Council would ask why there has been a change in language from 'working towards' to 'must meet'. Whilst CSC is confident that it will meet all of the benchmarks with the exception of own source revenue (which we can prove we are working towards), it does not reflect the discussions with OLG and the Minister.

Could information please be provided on why 60% of own source revenue was decided as the benchmark. It appears that this is a somewhat arbitrary figure based on averages and does not reflect what each Council undertakes or achieves. As has become abundantly clear

“one size does not fit all” and the pressure and expectations of a Rural Council are different to others.

The mention of Financial Assistance Grants on Page 29 and Figure 1.1 on Page 8 indicate that IPART will consider the impacts when assessing the sustainability criteria. Could you please define “consider” in this context. Will they be permissible under own source revenue ratio or not?

Rural operating expenditure expressed as a ratio does not recognise community benefits and issues around service provision. Community satisfaction surveys would be a better benchmark.

This ratio does not in fact consider a situation where a Council may offer additional services in subsequent years and as a result increase operating expenditure (even if it is offset by revenue improvements) eg: offering a new childcare service increases community satisfaction but impacts on expenditure.

If this ratio was meant to measure the community benefit, it is missing the mark.

This goes to the earlier point in regard to ‘must meet’. At the Wagga Wagga presentation when questioned over the Efficiency benchmark, the response was that IPART was to look at the result holistically and it was not a pass or fail. This is exactly why there are seven benchmarks that are designed to give a quick oversight into the financial strength and stability of a Council judged against the services it provides and infrastructure it maintains. To require ‘must meet’ assessment criteria does not look at the impact within a financial statement of each Council’s circumstances.

<p>4. How should Councils engage with their communities when preparing FTF proposals? Are there other factors we should consider to inform our assessment of Council consultation? Please explain what these other factors area, and why they are important.</p>

The Office of Local Government gave advice as to how Councils should consult with their community and primarily focussed on those proposing to merger. It seems incongruous that a final and contrary methodology be provided and not finalised until less than 4 weeks before the submission date. Proper consultation takes longer than this.

The timeline has been very short for this whole process and this merely makes a mockery of how Council are required to provide all information to their communities and report back to Council for endorsement before submission date.

In addition to this there should be an ability to recognise previous or alternate consultation methods that Councils may continually undertake with their communities.

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?

The answer to this question is that the Fit for the Future proposals should be monitored to ensure that what has been presented are realistic and achievable, however, it does not appear that this is within the bounds of IPART's TOR. The Terms of Reference are quite clear that IPART will only be identifying whether or not each Council is Fit for the Future and the reasons for this assessment.

Any monitoring and reporting should be part of a normal reporting regime and not an additional burden on Councils. The Office of Local Government must also consider that there is a Local Government Act Review being carried out in addition to Council Elections being held in September 2016. A new Council will be required to endorse a new Community Strategic Plan (CSP) after the election and develop a four year delivery programme for the term of the Council.

The JO Model will not be finalised until September 2016 and many Councils are using this to identify and prove their scale and capacity.

Whilst ongoing reporting is considered appropriate, this needs to also be considered in light of any outcomes that are a result of the IPART assessment of Councils but it should be the role of OLG in determining the criteria and reporting regime once all of the above have been considered and digested.

OTHER

In addition to these questions, stakeholders were invited to comment on any other aspect of the proposed methodology.

CSC would like to know how the public submission process will work, post Council submission date at the end of June. How much weight will these public submissions carry and will there really be sufficient time for IPART to consider them.

This also leads to the next point, "is there sufficient time to consider 152 submissions in order to have the report to the Minister by the end of October". Each Council needs to have its financial capacity and "fit for purpose" position adequately assessed.

It has been disappointing that Councils have been working with the Minister for Local Government and the Office of Local Government to prepare their submissions and take on board the process of becoming Fit for the Future when the final methodology on this assessment has been squeezed into a very short timeframe that takes energy away from Councils providing their Fit for the Future Submission.

The information and presentation sessions did not really answer the concerns and questions that were put to them. The general response was "that if you think this is a good idea or important to your submission then please include it". Whilst this was comforting to hear

that IPART will consider all submissions on their merit, it does not give confidence to how information will be assessed.

What was particularly confusing were some answers given at this meeting that may have helped individual Councils who asked the question but have only added confusion to others.

For example, at the presentation in Wagga Wagga one Council indicated that the assessment of one of the Infrastructure Backlog Ratio using written down value for its assets resulted in an unrealistic and inflated result when the use of current replacement cost should be considered as more appropriate. The response from the Panel at the meeting was that IPART are aware of these discrepancies and that the Council may put forward a robust argument that indicates why the current replacement cost would be a better assessment tool and why it is being used by that particular Council.

I would suggest that there are numerous Councils that would prefer to use current replacement cost or a variety of differences to their benchmarks, but then that would defy the purpose of having benchmarks that exist now. This response gives no clarity to Councils on trying to determine the most appropriate submission that explains why Councils will be Fit for the Future.

This is particularly relevant when there seems to be a real front end 'drafting gate' that will determine if a Council can be fit or not fit at the point of proving scale and capacity.

It appears that the methodology provided is extending IPART's TOR in several respects. The TOR has three parts:

- 1) Develop a methodology for assessing FFF proposals.
- 2) Undertake an assessment of each Council.
- 3) Provide a report to the Minister on whether or not each Council is FFF and the reasons for this assessment.

Under the TOR there is no ability to:

- Identify and recommend alternative proposals, eg: mergers
- Develop future monitoring
- Set target numbers of Councils in Rural and Regional areas.

The methodology is confusing and conflicting in its language and does not appropriately reflect the public discussion and policy position that has moved on considerably since the release of the ILGRP report.

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COOLAMON SHIRE COUNCIL

25 May 2015