



22 May 2015

Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Submission to the Methodology for Assessment of Council Fit for the Future Proposals

Dear Sir / Madam,

On behalf of Cooma-Monaro Shire Council I would like to make a submission to the Methodology for Assessment of Council Fit for the Future Proposals Consultation Paper dated April 2015. Council's primary concern relates to Section 3 of the document "Proposed assessment methodology" and specifically the requirement that Councils must meet the Operating Performance Ratio, Own Source Revenue and Debt Service Ratio within five years as opposed to showing improvement in them as for the remaining ratios. It is our belief that all the measures should read "Meet or improve within 5 years".

An important aspect of this is the impact on the community and their ability to pay as they will ultimately bear the burden of these changes. The modelling undertaken by this Council aimed to have Council in a break even position by the 2024/2025 financial year. In doing so it allowed for a lower special rate variation over a longer period thereby reducing the impact on rate payers each year. If we are forced to be in a break even position by 2019/2020 our special rate variation will have to be much higher over a shorter period of time. The impact of this could have a detrimental effect on households, businesses and farmers alike which impacts the whole community in a variety of ways.

Local Government in NSW has been subject to rate pegging and cost shifting for many decades which has contributed to the current financial state of affairs. We believe it unreasonable therefore to expect Councils and their community to turn this around in the relatively short time frame proposed by IPART in its methodology. Consideration needs to be given to an individual Council's current financial position and its path to being Fit for the Future rather than the one size fits all outlined here and a set point in time.

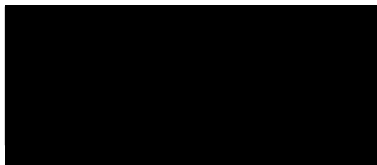
The definition of the Operating Performance Ratio states it is a "Core measure of financial sustainability – indicates council's capacity to meet ongoing operating expenditure requirements." We would argue that this is not exactly the case given that depreciation, a non-cash item, forms part of this measure. Our Council more than comfortably achieves a substantial operating surplus before depreciation and as such has significant "capacity to meet ongoing operating expenditure." The problem with our Council, and possibly many others, is the ability to fully fund the depreciation by way of capital works or setting surplus funds aside for future works. While we agree it is important for a Council to ultimately reach a break even position with the inclusion of depreciation, the shortfall can be funded by loans and/or grants in the short to medium term.

In November 2014 this Council attended an information session in Wagga Wagga run by the Office of Local Government. The subject of the information session was "Preparing your council's Fit for the Future proposal." To quote a line from one of the slides "You do not have to meet all the benchmarks by 2020 to become Fit for the Future – but you need to have a plan in place to continue working towards these goals." Discussion around this also drew out that there was no pass / fail with the benchmarks and there was no one size fits all. The importance of trends was discussed as well as the fact that councils are at varying starting points in terms of their finances. It seems that the proposed IPART methodology now mandates that at least three of the seven benchmarks must be met within five years in order for a council to be judged Fit for the Future which seems a significant change from the information already provided some months ago.

As an alternative to mandating the fixed point in time to meet the three benchmarks, councils who can demonstrate improvement within five years could be given a provisional Fit for the Future status. So long as these councils have met the goals they set now by 2019/2020 they would be given full status. Those not meeting the goals would be required to undertake a further review to ensure compliance. This would ensure that councils actually follow through on their forecasts and improvement plan.

If you would like to discuss any aspects of this submission further please contact our Director of Corporate Services, Stephen Molloy. We would like to thank IPART for the opportunity to provide input to the methodology document.

Yours sincerely



John Vucic
General Manager