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To: IPART (Independent Pricing and Regulatory Tribunal)

Submission re:

Methodology for assessment of Council Fit for the Future Proposals

Dear Sir/ Madam

Regarding the appointment of only IPART for the review process I submit that the State government's focus on financial performance of councils at the expense of all else is concerning. It ignores the social and historical contexts in which councils sit. The methodology should at the least account for society, history and the diversity amongst various areas in Sydney and beyond – that includes what it is about their spending habits that helps define their area as well as how much they have saved for future spending in their area.

The title of this consultation paper may be seen to imply that most councils have proposed boundary changes. Is this the case? Perhaps the word 'Proposals' should be replaced with 'Responses' or 'Submissions'.

(from page 1) The Government also announced that councils which are assessed as FTF [Fit for the Future] will have access to a range of benefits, including access to a streamlined rate variation process and a State Government borrowing facility, priority for other government funding and grants, and eligibility for additional devolved planning powers.

This will diversify Sydney in a way that de-amalgamation won't. There will be the haves and the have-nots as a result of funding prioritisation and other benefits. Please keep this in mind when you make your assessments.

(from page 6) We will consider first the ILGRP's [Independent Local Government Review Panel's] preferred option for each council regarding scale and capacity and whether the council's proposed option is broadly consistent with this option.

The ILGRP's recommendations included their preferred options. In their Final Report, they reported that community attitudes indicated that \$1-2 per week Special Rate Variations (a prior recommendation) would be widely accepted. This option would be much cheaper than the preferred options and cause a lot less upheaval. The ILGRP's preferred options rely on disputed TCorp data results.

(from page 11)

1. *How should the key elements of strategic capacity influence our assessment of scale and capacity?*

Each point (see below) in box 3.1 (Key elements of Strategic Capacity) can be taken apart.

1. *More robust revenue base and increased discretionary spending*
That is, only until the benefits run out.
2. *Scope to undertake new functions and major projects*
This could be better achieved by reform which better enables council interaction and ROCs (Regional Organisations of Councils).
3. *Ability to employ wider range of skilled staff*
This can be achieved with a ROC.
4. *Knowledge, creativity and innovation*
These things are not necessarily, more likely to be drawn from a bigger collective.
5. *Advanced skills in strategic planning and policy development*
This can be achieved with a ROC.
6. *Effective regional collaboration*
An amalgamated council will still have borders to deal with. Reform which improves council interaction would be better.
7. *Credibility for more effective advocacy*
Does local government honestly lack credibility?
8. *Capable partner for State and Federal agencies*
Local councils are already capable partners to State and Federal agencies.
9. *Resources to cope with complex and unexpected change*
This can improved with a ROC.
10. *High quality political and managerial leadership*
There is a portion of the population who don't vote Liberal or Labor. Independents may find it too expensive to run. Liberal or Labor may present 'high quality' to some, however, there may be others who look for something different. What is meant by 'managerial leadership'? Does it mean prior/ current work in the finance/ banking sector?

Therefore the key elements of strategic capacity as defined on page 21 should not be used to assess scale and capacity.

2. *Are there any improvements we can make to how we propose to assess the scale and capacity criterion, consistent with OLG guidance material?*

Scale should be ignored as it is irrelevant and capacity should be seen in a more accurate financial context which sits within a broader (than financial) context. Elements of strategic capacity need to be redefined as illustrated by the breakdown of box 3.1 above. There are other improvements that can be made. Modelling could be done on capacity with the removal of rate capping, the reversal of cost-shifting and the capacity to increase rates on multi-unit dwellings beyond ad valorem to more thoroughly assess if councils are 'fit for the future'. At the least, proper consideration of the panel's suggestion of increasing rates by \$1-2 per week per person should be made.

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?*

Improvements can be made to how you propose to assess the sustainability by factoring the inclusion of removal of rate capping, reversal of cost-shifting and ability to charge more than ad valorem for multi-unit dwellings. The addition of one of these elements will improve the sustainability of councils and hence the final assessment. Removal of the freezing on indexation for Federal Assistance Grants would also help.

Improvements can be made to how you propose to assess infrastructure management by recalculating fitness based on the recommendation of the many councils who objected to TCorp's methodology. In this way more balanced and accurate results can be used as a foundation to this process.

Improvements can be made to how you propose to assess the efficiency of councils by assessing potential hours lost by the public joining longer queues at their local council. Similarly, hours lost on the phone and driving to council can be assessed. Finding new premises to house the mega-council will prove problematic and costly and should be properly assessed also.

4. *How should councils engage with their communities when preparing FFTF proposals?*

This is up to each individual council. A survey is best in place of a state referendum.

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.

Other factors you should consider are that amalgamations are costly and generally unwelcome. Another consideration is that councils with a population of 250,000 are probably an ambit claim by the Office of Local Government (OLG) and that councils which offer their local government area to a smaller amalgamation in response fail to see this. This is important as these councils may not be aware of the limited powers of the OLG in forcing amalgamations.

5. *Should council performance against FFTF proposals be monitored?*

That depends on whether the process is made fairer.