



The Heart of NSW

20 May, 2015

Our Ref: TRIM D15/5694

Dr Peter Boxhall, AO
Chairman
Methodology for Assessment of Council Fit for the Future Proposals
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Sir,

On behalf of Lachlan Shire Council (LSC) I would like to make the following comments on the methodology for assessment of council Fit for the Future (FFTF) proposals:

1. The Independent Local Government Review Panel (ILGRP) recommended that LSC be a council in the Central West Joint Organisation (JO) **OR** merge with Parkes. Following community consultation LSC has resolved to be a Council in the Central West JO and will be submitting a Council Improvement Proposal i.e Template 2 to IPART.
2. As JO's are yet to determine their final corporate structures and functions LSC will be making assumptions on how it will utilise the JO for any shared services and regional priorities.
3. Council agrees with most of the key elements of strategic capacity as detailed in Box 3.1 in the consultation paper. However, the question is raised on how one determines "high quality political and managerial leadership" as it is very subjective. In local council elections there are no minimum educational requirements or previous experience required to stand for election as a Councillor (nor for State and Federal elections) and therefore councils are subject to a democratic process of the community selecting its council. At LSC we support the provision of ongoing training for Councillors to assist them in effectively undertaking their duties. It is assumed in determining high quality managerial leadership that it will be based on the qualifications, experience, past successes and leadership skills of the current management team. LSC has adopted a collaborative approach between elected members and management to work towards the attainment of our strategic direction.
4. The ability to employ a wide range of skilled staff has been an ongoing issue in non-coastal regional/rural areas which has resulted in a premium being paid in order to attract staff. This additional cost should be taken into account when considering scale and capacity and operating performance.
5. For large area regional and rural councils there should not be a minimum population size set to meet the scale and capacity criteria however it is understood that this may apply to metropolitan councils where council areas can be as small as 8 sq kms.

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6. Some of the benchmarks to be used to assess if a council is FFTF such as the Infrastructure Backlog Ratio and the Asset Maintenance Ratio require greater scrutiny with regard to the integrity of council data, especially when that data is taken from Special Schedule 7 of the Annual Financial Statements. Much of this data is subjective and needs to be independently audited.
7. Benchmarks such as the 60% Own Source Income should be flexible for councils with large areas to maintain and relatively small rate bases to fund road maintenance and upgrades. LSC has the longest length of local roads in the State and therefore Roads to Recovery and Commonwealth Financial Assistance Grants are much larger than most other councils. This places LSC at a disadvantage in trying to meet the 60% target. Adding financial assistance grants to own source income would enable councils such as LSC to meet this target.
8. It is assumed the real operating expenditure decreasing over time measure allows for CPI increases. As our long term financial plan assumes CPI increases each year for salaries, materials, etc, LSC would have to reduce operating expenditure by more than CPI to meet this target, if not discounted. Estimated resident population statistics should be based on those produced by the Australian Bureau of Statistics.
9. Other factors should be utilised when assessing scale and capacity particularly a local community's economic and social needs. LSC for example owns an 80 bed nursing home which is financially subsidised but a much needed asset for the community ensuring family and friends are close at hand, LSC funds two incorporated not for profit organisations to provide social, employment and youth services to the wider community spread over an area of 15,000 sq kms, provides pre-school and child care centre services, home and community care, agency services for the RMS and LSC also subsidises medical practitioners, their surgeries and their residences to ensure the community has adequate access to medical facilities. These services are provided by Council as there are few incentives for private enterprise to undertake them.
10. LSC believes councils preparing merger proposals should consult extensively with the community however those councils preparing improvement proposals need only have limited consultation. If special rate variations are involved then consultation will be extensive in the year it is to be submitted to IPART.
11. LSC considers monitoring of FFTF proposals should be undertaken on an annual basis to ensure councils continue to maintain focus on becoming FFTF.

Should you require any clarification or further information please do not hesitate to contact me.

Yours faithfully



Robert Hunt

General Manager