

Our Ref: 35/80 (1094583)

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18 May 2015

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

Dear Ms Haddock

Re: Submission on proposed Fit for the Future Assessment Methodology

At its meeting of 12 May 2015, Maitland City Council endorsed a submission to Independent Pricing and Regulatory Tribunal (IPART) on the proposed assessment methodology for Fit for the Future, with responses to consultation questions as follows.

- 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?*

Council is generally supportive of the key elements of strategic capacity, as determined by the Independent Local Government Review Panel (ILGRP) and put forward by IPART as follows:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ wider range of skilled staff
- Knowledge, creativity and innovation
- Advanced skills in strategic planning and policy development
- Effective regional collaboration
- Credibility for more effective advocacy
- Capable partner for State and Federal agencies
- Resources to cope with complex and unexpected change
- High quality political and managerial leadership

It should be noted, however, that much of this is subjective, for example one council's innovation is another's old technology and so on. The assessment of responses to these elements, and the qualitative and quantitative evidence put forward in proposals will, no doubt, be of interest to all in the sector. Whilst no doubt challenging, IPART is encouraged to consider provision of guidance to the sector on the type of qualitative and quantitative information it would be looking for in addressing this criterion.

Of more interest to this council, however, is the assessment of 'scale'. The Hunter Region was treated separately by the ILGRP in its final report with a number of councils slated for merger, whilst others were suggested to be on a sustainable footing.

Dungog Shire Council, being rated as 'weak-negative' FSR and 'Distressed' in infrastructure audits conducted by the State Government, was urged to complete an updated sustainability assessment that 'should consider the option of merging Dungog with Maitland.

It appears population, as such, was not seen as a key factor in determining the scale of councils in the region. For example, Cessnock, Port Stephens, Muswellbrook, Singleton and Upper Hunter were all considered to have sufficient scale to warrant standing alone (noting, however, the role Hunter Councils would play in supporting its members). Each of these councils has a projected 2031 population smaller than that of Maitland. Whilst IPART has stated 'an appropriate minimum population size' as an element useful in demonstrating scale, it is difficult to determine what this population size would be in the broader Hunter.

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?*

Council's view is that the characteristics of a Rural Council should be prioritised as follows, noting this in the context of local government reform in NSW and not in the context of broader understandings of rural/remote classifications at a national scale.

Characteristic	Comment
High importance of retaining local identity, social capital and capacity for service delivery	Highly supported. This is a defining characteristic, and can be effectively demonstrated through use of community profiles, and include identification of service needs from all levels of government (ie identified constraints in areas such as transport, health and education) that require a strong local voice.
Local economies that are based on agricultural or resource industries	Highly supported. A reliance on primary production creates a unique local character and amenity – fundamentally defining 'rural'. Rural communities tend to exhibit a number of common traits, such as generally older populations and transience of younger people. It is suggested these factors should also be considered in assessment, rather than strict geographic location or industry presence.

Characteristic	Comment
Challenges in financial sustainability and provision of adequate services and infrastructure	Highly supported. Enabling rural councils to lessen governance burdens and enter arrangements with neighbouring councils and Joint Organisations is of merit.
Small and static or declining population spread over a large area	Highly supported. It is also suggested that the nature of the area covered in a LGA is considered, for example forest cover.
High operating costs associated with a dispersed population and limited opportunities for return on investment	Supported. This is clearly a fundamental challenge for rural councils.
Low rate base and high grant reliance	Supported.
Difficulty in attracting and retaining skilled and experienced staff	Supported.
Limited options for mergers.	Not supported as a vital characteristic. A merger must take account of unique social and community issues, and the meeting of identified benchmarks should not make such considerations redundant.
Long distance to a major (or sub) regional centre	Not supported as a vital characteristic. 'Remoteness' is not the only determinant of 'rural', as discussed above. The accessibility of goods and services from a centre should not override an identified rural character as determined by a community's residents.

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 is pleased to see an element of flexibility in the application of the criteria, and endorses IPART's approach to seeking improvements across some criteria over a five year period, rather than a strict approach to meeting all identified benchmarks within a nominated timeframe.

As IPART is aware, councils use a range of different methodologies in asset management. This was noted in the State Government's audit of local government infrastructure in 2013. In writing of reliable data, the report recommends "clearly defined and specific asset management measurement parameters (for example: satisfactory standard, actual condition, renewal, upgrade etc), be developed with the sector for inclusion within each council's delivery program and annual reporting requirements." This has not yet occurred, and the varying approaches used by Council can influence the achievement of benchmarks.

Asset valuations are known to vary across comparable asset classes – yet appropriate asset values and depreciation rates are key to financial sustainability. As such, more specific guidance is recommended to prevent an inadvertent (or possibly even deliberate) distortion of results against benchmarks.

Maitland will also be placing on record its unique position as a high population growth, greenfields development dominated LGA. This has an impact on asset ratios as new high value assets (eg roads in new release areas, developer funded community facilities, large grant projects etc) are dedicated to Council.

It should also be noted that real operating expenditure per capita is net of IP&R service improvements. In the absence of indicators considering the alignment of Council service provision to identified community needs and wants, performance against this benchmark will be interesting over time. As IPART is aware, councils provide services that are 'public good' and in many instances, would not be provided by the private sector in a manner that was affordable for users. Examples include retirement homes or children and youth services.

Council accepts, however, that like all enterprises the advent of new technologies, partnerships, procurement changes and the like should lead to efficiency gains over time and reduce costs of service provision.

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

Council suggests IPART uses a level of pragmatism in assessing consultation. Council is familiar with the rigorous consultation required for special rate variations, the time it takes to develop materials and assess outcomes. The timeframes given by the NSW Government for this process do not allow for such effective engagement to take place, and the necessary sharing of information required for genuine and educated community participation.

It is suggested IPART assess past consultations (for example annual community surveys) and established community strategic plans (established in active partnership with communities) to inform their decision on alignment of proposals with community needs and wants.

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?*

Council is wary of imposing further reporting burdens on councils, and suggests monitoring of proposals and meeting of benchmarks is integrated in the Annual Reporting process, with reports submitted to OLG each year.

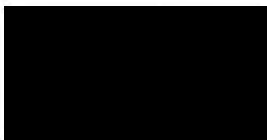
Additional comment to IPART

Maitland City and Dungog Shire councils will be seeking an extension to submission deadlines for their Fit for the Future proposals, as our resources have been challenged by a recent significant natural disaster.

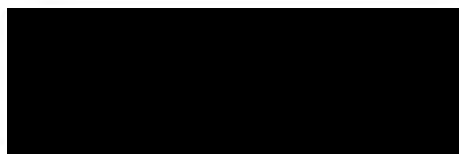
Regardless, it should be noted that the timetable issued by the State Government and implemented by IPART is exceptionally challenging for all councils. For example, final guidance assessment methodology will be issued just weeks before proposals are due. Additionally, as previously noted, broad-based and well-structured community consultation cannot be adequately staged in this timeframe.

Thank you for the opportunity to comment on the proposed methodology. We look forward to seeing final methodology released in early June 2015.

Yours sincerely



Peter Blackmore
Mayor



David Evans
General Manager