



25 May 2015

Dr Peter Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal (IPART)
SYDNEY NSW 2000

**Port Macquarie-Hastings Council - Submission on IPART - Methodology for
Assessment of Council Fit For the Future Proposals - Local Government -
Consultation Paper April 2015**

Dear Dr Boxall

Thank you for the opportunity to comment on the methodology proposed to be used to assess NSW local government Fit for the Future (FFF) proposals.

Firstly let me compliment IPART for developing a very clear, transparent and robust approach to the methodology which will be used to assess local government FFF proposals. Whilst it would have been preferable to have this methodology available earlier in the developmental stage of Port Macquarie-Hastings Council's (PMHC's) submission, the methodology has provided certainty and confidence in the process to be employed. It was particularly helpful and useful to have the opportunity to meet with IPART representatives and other councils in Coffs Harbour on 18 May 2015.

PMHC is particularly pleased with the proposed methodology in relation to:

- Acknowledgement that councils demonstrating that they meet or seek to improve performance against specific benchmarks will be assessed as FFF;
- Scaling of the benchmarks in order of importance and acknowledging that particular measures are more important than others within a criterion, for example, operating performance ratio;
- Setting differential timeframes for councils to meet or show improvement;
- Demonstrating a commitment to a "one size does not fit all" by acknowledging that some councils may take longer to achieve the required benchmark that the originally nominated timeframe of 4 years;
- Considering operational sustainability and capital sustainability;
- Taking a pragmatic approach to the fact that there will be a series of assumptions and forecasts undertaken in evaluating the criteria and enabling one-off adjustments to be described & detailed;
- Allowing a longer time series of data;

- Acknowledging the importance of the social and community context;
- Enabling the importance of water and sewer operations to be stated in the overall scale and capacity of operations;
- Recognising that rural and regional councils may need some additional latitude in certain circumstances;
- Encouraging greater use of supporting evidence in the proposal process given the word limits specified in the templates.

There are some areas where the methodology may need some greater discretion than is outlined in the methodology. For example, it is important for a council in the circumstances of a merger proposal to undertake a robust community engagement process, this is clear. PMHC has chosen to employ an engagement process around the underlying principles of delivering an improvement action plan (Template 2) rather than the specific actions contained therein. More extensive engagement on each of the actions is planned for later in 2015.

The other area which in my view requires greater consideration relates to the proposed monitoring and reporting arrangements associated with future FFF performance. Performance monitoring is of course critical to the overall structural change being implemented. However it will be important that this be embedded into the existing Integrated Planning and Reporting (IPR) framework rather than become an additional compliance requirement and overhead to local government. We have to guard against this work being only about the financials; it is about an overall improvement in performance that the community can look to and have confidence in. The overall sustainability agenda needs to become part of business as usual for local government.

The following areas may need some additional clarity:

- The reference in the heading 3.2.2 Consistency with ILGRP preferred options on page 23 relating to regional and rural areas proposes, “where possible, create a regional centre with the necessary scale and capacity to anchor a Joint Organisation”, may be somewhat premature. This is in the context of the current pilot program on Joint Organisations. Without appropriate costings and funding, or defined governance models, it is considered somewhat premature to base decisions on the concept.
- There may be a degree of inconsistency between different councils on the maturity of asset management planning. For this reason, the approach outlined on page 31 may be somewhat challenging and aspirational at this point of time.

While not necessarily within the province of the methodology, it is worth flagging the importance of the proposed benefits that will flow to those councils who are classed as being fit for the future (including those on the pathway to improvement), as this provides the necessary kick-start to reform of local government envisaged as part of Destination 2036.

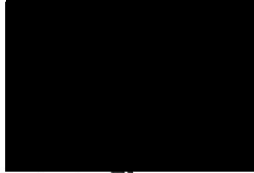
The Revitalising Local Government Report (2013) emphasised the challenges facing local government, in particular, regional councils, in relation to infrastructure management and funding. It also proposed a holistic approach rather than a “cherry picking” of its recommendations. To date there has been limited detailed information provided on the overall benefits that will flow to FFF councils. PMHC has developed its submission anticipating that there will be substantial benefits, particularly in relation to streamlining rate variation processes and priority access to additional government funding and grants.



Thank you for the opportunity to comment on the methodology and I trust the above information is of value to you and is considered in your final methodology review.

I can be contacted on 65818111 should any aspect of this submission require clarification.

Yours sincerely



Craig Swift McNair
General Manager



PORT MACQUARIE
HASTINGS