

REROC

RIVERINA EASTERN REGIONAL
ORGANISATION OF COUNCILS

RESPONSE TO METHODOLOGY FOR ASSESSMENT OF COUNCIL FIT FOR THE FUTURE PROPOSALS

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Riverina Eastern Regional Organisation of Councils
RESPONSE TO
METHODOLOGY FOR ASSESSMENT OF COUNCIL FIT FOR THE FUTURE
PROPOSALS

The Riverina Eastern Regional Organisation of Councils (REROC) is a strategic alliance of fifteen local government bodies located in the eastern Riverina region of NSW. Originally formed in 1994 the aim of the organisation is to assist councils to operate more efficiently and effectively through working together to achieve economies of scale and scope and present a better informed and representative voice for its members.

The members of REROC are the councils of Bland, Coolamon, Cootamundra, Gundagai, Greater Hume, Junee, Lockhart, Temora, Tumbarumba, Tumut, Urana and Wagga Wagga as well as Riverina Water and Goldenfields Water County Councils. The REROC region covers an area in excess of 40,000 sq kms and a population base of approximately 140,000 people.

This submission specifically responds to questions raised by IPART in relation to its proposed methodology for the assessment of council Fit for the Future proposals. In addition to attending consultations held by IPART our members have also met to discuss the Methodology in order to identify common issues that need to be raised.

Therefore the comments raised below represent the overall thinking of our membership on the questions raised by IPART.

Questions for Stakeholder Feedback

- 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?***

Our members note that while the Independent Local Government Review Panel (the Panel) was of the opinion that strategic capacity could be achieved through active participation in a Joint Organisation (JO), JOs do not appear in the methodology for assessing scale and capacity.

Our members have a long and successful history of regional collaboration and strongly believe that this should be factored into the assessment process. While JOs are not yet formally operational, the operation of Regional Organisations of Councils is well documented and should not be lost in the assessment process. REROC is part of the fabric of the way local government operates in this region and this should be recognised.

Therefore our members request that the inclusion of existing regional collaborations such as ROCs and future collaborations in the form of JOs be included in the assessment methodology.

Our members are concerned that the “either/or” option that the Panel recommended in relation to a council becoming part of a JO or seeking a merger has been lost. Our members strongly believe that the Panel recognised that strategic capacity could be achieved through regional collaboration and it was for this reason that the recommendation for most of the councils in our region was an “either/or” option.

While we recognise that where a Preferred Option required the consideration of a merger and that councils affected by a Preferred Option must actively explore a merger, for all other councils it should be sufficient that they provide reasons for their selection of one of the Panel’s options.

We note with some concern IPART’s reference to a Target Number of councils in regional areas (pg 21). Our members note that the Panel did not set a target number of councils for regional NSW, further we believe that the application of a target undermines the Fit for the Future process. This is because it sends a message that regardless of how “fit” a council is if it doesn’t fall within the target numbers then it may not continue to operate. Therefore we believe reference to target numbers for regional NSW in the Methodology should be removed.

Our members note that IPART appears to require that all councils demonstrate scale and capacity; however the Office of Local Government (OLG) requirements are that Group C councils are not required to demonstrate scale and capacity but to apply their energies to the production of an Improvement Plan. We believe the two stances conflict with each other and that IPART should ensure that, at this late stage, its requirements accurately reflect the OLG’s requirements.

Our members believe that an assessment of scale and capacity should be undertaken within a “fit for purpose” context. The work all councils have undertaken in the IP&R process and the development of Community Strategic Plans sets the community expectation parameters for the operation of a council. These parameters should determine the services and facilities that councils provide which in turn should set the “fit for purpose” benchmark. If a council can deliver on the requirements of its CSP then it is “fit for purpose”.

Finally our members note that IPART has suggested that councils prepare business cases to support a no merger stance. Our members believe that as this was not a requirement set by the OLG and given the current time constraints that this suggestion should be removed from the Methodology as it is impossible to comply with it in the time available.

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?

Our members have reviewed the characteristics and agree that the first 4 are the most important for councils operating in rural areas.

We are concerned about the use of the characteristic "long distance to...regional centre", for most communities in the REROC region the only public transport available is community transport or in some locations a taxi. We believe therefore that distance is a subjective term which is dependent on accessibility to reasonably priced transport options not on kilometres.

Our members believe that the last characteristic "limited options for mergers", should be replaced with a more positive characteristic such as "ability to achieve strategic capacity through collaboration". This suggested characteristic recognises that many rural councils have collaborations in place, with other councils, community groups, volunteers and ROCs that allow them to deliver services to their communities.

Finally our members wish to draw IPART's attention to the fact that there are a number of councils whose profile does satisfy the majority of the characteristics to be considered a rural council but that have not been assigned that title by the Panel. It is important therefore that IPART recognise that rural council characteristics apply to many of the councils in rural NSW and that consequently their performance levels will be reflective of those characteristics. We believe that where a council wants to be recognised as a Rural Council there should be the flexibility for that nomination.

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?

Our members are concerned that IPART's requirements in relation to the first two ratios have been altered from the OLG's requirements of "working towards" to "must be met within 5 years". Our members request that the IPART requirements reflect the requirements set by the OLG's guidelines.

While our members appreciate that IPART is using the previously set benchmark of 60% for own source income, we believe that as this target was set by averaging own source income from all councils in the State that it is not reflective of the ability of rural and regional councils to achieve own source income. The target is skewed by the capacity of metropolitan councils to raise funds particularly through higher land values and the ability to charge for parking and other services. We believe that the target is set at level that is unattainable unless rural and regional councils are permitted to include FAGs funding.

Our members strongly support the inclusion of FAGs funding in the “own source income” calculation. FAGs funding is stable and constant income received by councils and therefore should be included as own source income. In addition our councils argue that Roads to Recovery funding should also be included as own source income. Roads to Recovery has been providing funding to councils for 15 years and is governed by the *Roads to Recovery Act 2000* (Cth) therefore it is a stable and constant source of income and should be included as own source income.

Our members seek clarification in relation to the Debt Service Ratio, which the Methodology requires to be between 0% to 20% over 3 years, however the OLG’s requirement is for greater than 0% and less than or equal to 20% over three years. This is a significant difference as a number of our member councils have made a commitment to their ratepayers to be debt free, consequently those councils will fail the OLG requirement but meet the IPART one.

Our members also seek clarification in relation to the Asset Maintenance Ratio. The Ratio requires that the average should be greater than 100% over three years. Our members maintain that the ratio should be equal to or greater than 100% as to spend more on maintenance than is actually required would be an inefficient use of resources.

The Efficiency Ratio is also of concern to our member councils. This ratio works against councils in rural areas with a declining population. There are fixed costs to delivering services to a community even a community with a declining population. For instance many of our declining rural communities have large road networks which have to be maintained regardless of population size.

Increasingly rural councils are asked by their communities to provide services that fill gaps left by State agencies or where the market is too thin to support private enterprise providers. For example a rural council may offer a child care service which increases the community’s satisfaction with council but impacts on expenditure. By meeting the needs of their community councils are likely to increase the likelihood that they will fail the Efficiency Ratio.

Rural and regional communities do not measure their council’s performance by cost per head of population but rather by their ability to deliver the things that the community considers to be important. Therefore it is extremely important that the Efficiency Ratio is considered in contextual terms relating to the operation of the council and the expectations of the community which it serves.

4. *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.*

Our members want to ensure that IPART takes into consideration the extensive consultations that councils have already undertaken as part of the IP&R process. In

addition rural and regional councils make significant use of s355 committees for consultation on council activities.

We note that the OLG only required rigorous consultation if a merger proposal was to be proposed, therefore we would expect that IPART's approach to consultation would reflect the OLG Guidelines.

In addition our members are concerned that if further consultation is required that there will be insufficient time for effective consultations to take place between 1 June and 30 June when submissions are due.

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?*

Our members agree that council performance should be monitored and we believe that monitoring should be undertaken by the OLG.

In addition it is our firm belief that the monitoring process should be a constructive exercise that supports on-going improvement. Further our member councils are recommending that the OLG put together a team that will assist councils that may not be meeting their Improvement Plans to do so.

Evaluations should also include the operation of the JOs and the way in which they have impacted on the strategic capacity of the council.

Finally given that new councillors will be elected in September 2016 our members believe that there should be an opportunity for the incoming council to review the commitments made by the previous council in relation to Fit for the Future.