

**Submission to:**

Methodology for Assessment of Council Fit for the Future Proposals  
Independent Pricing and Regulatory Tribunal (IPART)  
PO Box K35  
HAYMARKET POST SHOP NSW 1240.

At its meeting on 20 May 2015, Rockdale City Council recommended that Council submit a response in relation to part 1.6.1, page 11 of the Methodology for Assessment of Council Fit for the Future Proposals Consultation Paper (April 2015).

Rockdale City Council's Response follows:

**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?**

IPART has stated that scale and capacity are threshold criteria.

Given the significant impact that failing to demonstrate size and capacity will have on the process, a clear definition, some objective measures and acceptable targets for scale and capacity would have been useful reference points for Councils like Rockdale who have approached the process in good faith.

The relationship between the two elements of scale and capacity, as well as whether any of the key elements are crucial is also unclear. Smaller Councils like Tumbarumba demonstrate that size is not directly linked to financial performance and effectiveness. A simple improvement to this component could be to identify some of the key elements of strategic capacity as a priority (as has been introduced into the sustainability, effectiveness and efficiency benchmarks) and some benchmark metrics against these.

The discussion points on scale (3.2.1) regarding appropriate minimum population size, and a target number of councils in the metropolitan or regional area do not provide a useful clarification of the scale question. A population range would be invaluable to a Council like Rockdale who are evaluating a range of merger options.

As a result of this lack of clarity around the process, a range of options might be considered unviable by IPART, in which case staff and community time, as well as significant consultancy costs will have been wasted preparing data and consulting on potentially unacceptable options.

For example, Rockdale has considered a range of possibilities, from stand-alone (with an improvement plan), a low disruption option merging with Kogarah, to a larger St George entity, and even a Botany Bay Council centred on the Airport.

While Rockdale has attempted to lead discussion and cooperation with adjoining Councils to consider the recommended merger option, this has not led to the required resolution from the respective partner Councils, meaning that Rockdale, despite our best efforts, cannot submit a proposal that conforms to the recommendation of the ILGRP.

We trust that IPART will take Rockdale Council's proactive approach into consideration during their assessment. We would also suggest that there may be an option for IPART and the OLG to give a conditional time extension to Councils that have recently reviewed their position on proposed mergers. Improved clarity on the scale and capacity benchmarks would give greater rigour to any further assessments of these options.

In the case of Rockdale, three possible options were proposed in the original ILGRP report – amalgamation (with or without Canterbury), a joint organisation and a boundary adjustment excluding the airport. Advice from the OLG to date has removed joint organisations (for Sydney Metropolitan Councils) and the airport boundary adjustment. Clarity around the ongoing status of these options is crucial for Council to determine whether to provide further submissions on these elements.

Council would also suggest that one of the key elements (a more robust revenue base) is critical to any options appraisal for Rockdale. If a significant potential income source, major economic asset and traffic, noise and environmental impact generator such as the Sydney International Airport is removed from the existing Rockdale LGA, (or a merged entity such as a St George Council) the strategic capacity and potential economic viability of the resultant Council will be significantly reduced.

Considering the ILGRP preferred option first– and then demonstrating any alternative proposal's superiority to that preferred option is made extremely challenging by the lack of information on why the ILGRP recommended this solution.

While we recognise this is not an issue that can be directly addressed by IPART, we suggest that any clarification of the metrics of scale and capacity will assist all Councils in responding.

**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?**

Clarification of the priorities of the financial benchmarks has been a positive improvement, allowing Councils to better shape their responses to this section of the Template.

Our observation of the compilation of the data required to address the seven criteria, particularly relating to depreciation has been extremely variable across the industry. Some published guidelines on the calculation methodologies recommended around depreciation assessment would lead to much more consistent and comparable results across these financial measures.

It is suggested that prior to any merger proposals that IPART review up to date accounting methodologies for the relevant Councils and satisfy itself that the financial benefits of any merger will be achievable and relatively equitable.

Rockdale has undertaken extensive work as part of reviewing the Sydney International Airport land values, which combined with our financial modelling of merger options has suggested that it would be prudent to review closely the rate structures and land values of all participating Councils prior to any merger. The complex and varied approaches to the rating structures of each Council may have significant (and unexpected) impacts on the financial future of the merged Council, and public perception regarding rate increases relating to Fit for the Future.

While Rockdale has attempted a thorough comparison process with potential merger partners, access to data has been restricted to outdated public information (in order to generate an appropriate and consistent evaluation) and as such requires review.

**How should councils engage with their communities when preparing FTF 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.**

Rockdale has undertaken an extensive and open community consultation and communication process on a range of options. Rockdale believes that IPART should recognise Councils that have undertaken this process transparently by providing clear and fair information to their communities to ensure an informed and unbiased result.

Recent consultation on asset satisfaction standards and the FTF community feedback indicates that establishing existing and proposed service levels is of significant importance to the community. Service levels differ across Councils, feed into community satisfaction levels and drive operating cost outcomes. There are real issues in reconciling differing service levels across merged Councils and choosing minimum and maximum levels of service will impact on community support and financial viability of merged Councils.

For this reason, it is suggested that IPART put an emphasis on reviewing Council consultation documentation in this area and closely examine proposals to demonstrate financial viability by lowering service levels without community consultation, or make claims on service satisfaction levels without consultation metrics.

A major limitation on the consultation process has been the resource and political constraints on consulting with residents of adjoining local government areas.

As previously mentioned, major changes to business, residential and minimum rates would eventuate from any merged options. This needs to be carefully reviewed and extensively discussed with the community, as this issue (along with service levels) seems to be the most sensitive community concern.

Communication and access to the organisation and elected officials has also been raised as a potential issue. Rockdale Council has undertaken significant work in the area of online DA tracking, and continues to investigate customer relationship software and online services. It is suggested that this area needs to be significantly resourced and researched with the community in any future merger options.

**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?**

Yes, Councils performance against any improvement plan should be monitored. The most effective approach in our opinion would be to incorporate this report as a specific element within the existing IP&R framework. There is a close relationship between the scale and capacity, and financial criteria of Fit for the Future and the Long Term Financial Plan, Asset Management Strategy and Community strategic plans.

Reporting against the sustainability, infrastructure and efficiency measures is relatively straightforward, as these targets are similar to existing financial measures. The lack of clear benchmarks within the key elements of scale and strategic capacity will make reporting on these elements challenging.

**We also invite stakeholders to comment on any other aspect of the proposed methodology**

Rockdale Council has concerns that if there are substantive changes to the methodology, that the timeframes for responding appropriately are extremely challenging.

Section 4.1 suggests that social and community context is important to this issue. Social and economic development issues are often regional challenges, operating across local government areas. Rockdale has traditionally dealt with these issues through regional collaboration, diverse staff skills sets and judicious engagement of consultants.

While many State programs focus on housing provision, Councils such as Rockdale have already engaged in addressing perhaps equally important issues of employment, economic, social and transport congestion that extend well beyond our existing geographic boundaries. Key activities in this area would provide appropriate demonstration by councils towards some of the largely undefined aspects of strategic capability criteria.

Rockdale has recently dedicated resources towards values and organisation culture initiatives. It is suggested that some consistent methodologies regarding engagement and culture across Councils would be a valuable addition to the assessment of the existing context.

If merger proposals are to be constructively implemented, it will be important to preserve positive elements of existing culture without promulgating (or increasing) negative attitudes



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and behaviours. This is an understated and relatively poorly understood element of organisational capability that should be further considered.

Rockdale City Council is available to provide any clarification or further information on these issues if required. Thank you for the opportunity to provide comments on the methodology for Assessment of Councils Fit for the Future proposals.

**Original Submission prepared and signed by General Manager, Meredith Wallace  
Rockdale City Council**