

22 May 2015

IPART
PO Box K35
Haymarket Post Shop NSW 1240
ipart@ipart.nsw.gov.au

Submission – Review of Local Council Fit For The Future Proposals

Dear Sir

Thank you for the opportunity to provide input into the Methodology for Assessment of Council Fit for the Future Proposals.

- 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 notes that the ILGRP's report on Page 32 sets out the 10 key elements of strategic capacity being:

- More robust revenue base and increased discretionary spending
- Scope to undertake new functions and major projects
- Ability to employ a wider range of skilled staff
- Knowledge, creativity and innovation
- Advance 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 would seem that IPART only propose to use the Fit for the Future Criteria and Measures as the basis for assessment of strategic capacity. Council seeks clarity on whether or not IPART proposes to make any assessment on the other 9 key elements of strategic capacity and if so how would the assessment be undertaken and what criteria would be used? If there is no assessment to be carried out on the other 9 key elements – why not? From our perspective some of the benchmarks are beyond the control of Councils and are subject to political processes.

In terms of the way you will consider a Council's decision to stand-alone or undertake structural change we believe the way in which IPART propose to assess that as reasonable.

- 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?

Not applicable

- 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 any issues that we need to consider when assessing councils' proposals using the measures and benchmarks for these criteria?

First and foremost there seems to be somewhat of a disconnect between what the OLG have been advising councils and what IPART have documented as part of their process for assessment. Council were advised by the OLG that the benchmarks were 'aspirational' and were designed to show that a council was making improvement over the next five years. It now seems that IPART will be making the assessment using scaling of 'must meet' or 'must demonstrate improvement in'. Council also notes that Council must have a plan to improve operational and capital sustainability over the medium term. Council seeks clarity on what IPART would expect from a plan, whether or not IPART or the OLG would expect consistency in methodology in the preparation of a plan and whether or not IPART or the OLG would be insisting on the way in which Councils would have to change their operations to show they have met the benchmarks. For example the use of service reviews, changes to procurement including contracting out of certain services.

Further three of the benchmarks are impacted by depreciation for which there is no state wide standard. We concur with the Blacktown City Council and believe that a better measure would be to assess how well a council is funding its infrastructure asset renewal funding requirements on an annual basis. That is, as assets are due for renewal, how well are we actually matching the funding to the renewal requirements. Council has an asset renewal funding strategy, which is based on meeting the annual renewal funding requirements as projected through detailed asset management planning.

- 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.

It would appear that extensive consultation should only be undertaken if there is a proposal to radically change a council's governance or delivery structures via mergers, which is not the case with most councils. Even so, councils should engage on a wide basis with their communities when preparing FFTF proposals, including

- Public endorsement through a Council meeting.
- Community Surveys
- Community consultation undertaken in regard to SRV applications.

As you are aware, the Shellharbour Council undertook substantial public consultation with the community when they prepared their SRV application. (This application was

approved by IPART). In Shellharbour's case the SRV was a key part of Council's financial sustainability strategy which was agreed to by the Council on a number of occasions.

- 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?

It would be passing strange for the State Government to be investing in this process without having a mechanism to monitor the performance of the proposals. We concur with IPART's proposal to report performance each year in their Annual Reports and that the Auditor General would reassess FFTF performance periodically, as part of the new auditing role for the Audit office of NSW in the sector.

Council would like to take the opportunity to thank IPART for the opportunity to comment on the methodology and is available to discuss this submission.

Yours sincerely



Lee A. Furness
Director Corporate Policy