

IPART
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Dear Sir/Madam

Submission - IPART FFF Discussion Paper on Methodology

Council makes reference to the 5 key questions in the discussion paper and makes the following comments:

- 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 already meets and has been recognised in the ILGRP report as having sufficient scale and capacity. However it should be noted that there appear to be inconsistencies within the ILGRP table of options for Non-Metropolitan Councils. The scale and capacity factors need to recognise significant differences between metropolitan and regional/rural areas, particularly relating to geographic size. There is no "one size fits all".

- 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?**

This question relates to rural councils and is not relevant to Shoalhaven City Council.

- 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?**

This relates to several performance measures. A number of the performance measures appear to work against each other.

The KPIs around asset maintenance, renewal and backlog require Council to be spending substantially more than it currently does to see an improvement in these areas and to move towards the actual benchmark requirements.

The efficiency ratio however requires Council to be spending less per capita on its operations (i.e. the less you spend per capita in your operational budget then according to the State Government you are more FFTF).

The efficiency KPI (i.e. measuring a decrease in real operating expenditure per capita over time) in some respects is a clumsy and superficial measure and does not take into account the many variable factors including how progressive the council has already been in reducing operating costs through service reviews & market testing.

SCC has shown it was already on the path to financial sustainability as part of its Transformation Program which it embarked upon late in 2012. This has involved an organisational restructure (savings of \$2.5M) and a rolling program of service reviews and continuous improvement initiatives including a productivity 'dividend' driven by holding most operational expenditure (not including infrastructure maintenance) which has achieved \$3M worth of savings to date.

The more you spend on Asset maintenance to achieve that benchmark your result for the Efficiency KPI gets worse unless it is intended that council discounts these increased operational expenditures from the calculations.. The only way to achieve both is to spend more on asset maintenance AND be more efficient and reduce other services/facilities.

There may be other Efficiency measures that could be considered that relate to the relationship between the services & facilities actually provided and average residential rates, or a ratio between Average household income & the services/facilities residents receive. The bottom line is it is considered that the Efficiency performance measure may be an unreliable benchmark.

- 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's should be having a conversation with the community about various options in order to meet the FFTF criteria. SCC has been having an ongoing dialogue with the community about sustainability due to its transformation program which has been running since late 2012 with the objective to achieve a savings target of \$7.55M per annum over the life of the current Council.

To date these transformation savings have been made from internal restructuring and efficiency gains through improved and more targeted services and reduction of internal costs.

Last year this conversation with the community was expanded as part of the Financial Sustainability report released by Council and the FFTF agenda with dialogue about future rate rise options and other 'levers' to meet the 7 benchmarks commencing through the media.

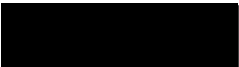
Subsequently there has been an education and information-sharing process through the public exhibition of the draft Delivery Program and Operational Plan which has included media briefings, public information sessions, website material, social media posts and special interest group briefings to ensure a greater awareness and understanding of Council's proposed pathway and to elicit feedback on the proposals before making a final submission in June.

Unfortunately undertaking genuine engagement in the process has been stymied by the timeline the State Government has imposed as it is only now asking about the assessment criteria and is seeking comment until 25 May and Council must have its full FFTF proposal to them by 30 June.

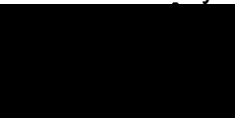
5. Should council performance against FFTF proposals be monitored? If so, are there any improvements we can make on the approach outlined for councils to monitor and report progress on their performance relative to their proposals?

This relates to ongoing monitoring of Councils. The Paper is suggesting that Council's report their progress in their annual reports and the Auditor General would reassess performance periodically. Both of these suggestions seem reasonable.

Furthermore Council's performance and progress can be monitored through the Integrated Planning and Reporting process which sets out the agreed actions with the community including benchmarks and targets. This can be complemented by a community satisfaction survey on an annual basis to ensure the community is satisfied with the performance of Council.

If you need further information about this matter, please contact me on 
Please quote Council's reference 44629E (D15/135636).

Yours faithfully



Russ Pigg
General Manager
19/05/2015