



Our reference:

GCL:ATR:M/03/01

25 May 2015

Independent Pricing and Regulatory Tribunal (IPART)

Dear Sir/Madam

RE: FIT FOR THE FUTURE SUBMISSION EVALUATION METHODOLOGY

Thank you for the opportunity to comment on the draft 'Methodology for Assessment of Council Fit for the Future Proposals'. From the outset, may I congratulate IPART on the inclusion of Mr John Comrie on the assessment panel. This appointment provides some surety to the industry that the essence of Local Government will be considered along with the financial considerations.

There are a number of concerns with the methodology and associated processes that Council in the draft document that Temora Shire Council would believe need further consideration. Specific mention must be given to the issue of timeframe.

Timeframe. The timeframe for the entire assessment process is unrealistic and strikes at the core of the process credibility. The time frame is unreasonable on two fronts, namely:

- 1) Review of comments on the methodology. The public submissions on the Consultation Paper – Assessment Methodology closes 25 May 2015. It would be a reasonable assumption that most Councils and some community groups would make a submission (say 120 submissions). This provides IPART with 4 business days to review the submissions, make changes, consult with government and release the amended methodology. It is not feasible to undertake a proper consultation in this timeframe, leading to the assertion that IPART is not interested in genuine consultation, rather that a tick is given to the consultation issue. Add to this fact that the last of the Public Forums, in Wagga Wagga was held one business day before the close of submissions and the process must be queried.
- 2) Consideration of the Fit For The Future Submissions, It is a reasonable expectation that most of the Councils in NSW will make a submission on this issue. Reasonably, it could be assumed that about 140 submissions will be received, from local government alone, many lengthy with great detail requiring significant evaluation. The total evaluation period, during which time IPART must review all submissions, meet with councils, request additional information and write a report to the Minister is a maximum of 90 business days. This does not include an extended submission period for public submissions or the effective end of the review period by end August and allows completion by end of October which is not explicit in the timeline. At best, IPART would be required to review 2 councils per day for the assessment period. By any reasonable assessment, given that the future of local government is

being decided, there must be questions raised over the appropriateness of the timeframe for the process.

The draft methodology requests consideration of five (5) questions for stakeholders to consider (p11). Temora Shire Council response is as follows:

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 access the scale and capacity criterion, consistent with OLG guidance material?

- a) There is considerable information provided regarding the assessment of Scale and Capacity. Whilst alluded to in the document, it should be made explicit that a Council that follows the recommendation of the Independent Local Government Review Panel (ILGRP) are deemed to meet the requirements for Scale and Capacity. It needs to be further clarified that the recommendations are considered those in bold in the ILGRP report. If multiple options are provided without a recommendation, the Council should consider all options but either option is acceptable.
- b) The methodology provides an apparent 'catch all' assessment in 3.2.1 where it states:
 - If the scale and capacity requirements outlined in box 3.1 Are satisfied(we propose to consider)..
 - an appropriate minimum population size, or
 - a target number of councils in the metropolitan or regional area..."

This paragraph gives a firm impression that there are government targets in place. From discussions at the public forums it is evident that this is not the case but this should be clarified. That is, what is the intent of this clause.

- c) The methodology does not provide for the potential impact of Joint Organisations (JO) in assessing scale and capacity.
- d) There needs to be a greater emphasis placed on outcomes and service delivery when considering scale and capacity. Issues such as population are not a true measure of scale and capacity.
- e) The document uses the terminology 'Fit for Purpose'. There does not appear to be a definition or a clear pathway to determine if a council is fit for purpose.

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?

Temora Shire Council is not completing Template 3 and is not considered to be a rural council by the Panel. Nonetheless, there are a number of issues of note in relation to this model.

- a) Most councils in rural areas have characteristics of a rural council but have not been deemed to be a rural council. Even regional cities may meet the majority of the rural council characteristics so it is important that there is a recognition of the

geographic, demographic, economic and political challenges of all councils in rural areas.

- b) In terms of importance, the most relevant of the nine (9) criteria outlined in Box 2.1 are 1-4, each with relatively equal importance. These four criteria encapsulate the uniqueness attributes of a council in a rural area.

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?*

The ratios developed by the Office of Local Government are problematic on a number of fronts however this has been highlighted previously and we acknowledge that these are unlikely to change. One point of interest is the change in the methodology of IPART to include two ratios as a 'must' meet for councils from the previous, less onerous 'working toward'

In terms of the other indicators, the issue of "Real Operating Expenditure per Capita" is an indicator that is substantially skewed against councils with a static or declining population. The detrimental impact of meeting this indicator in these areas can mean a reduction in service to the community.

4. *How should council engage with their communities when preparing FFTF proposals? Are there any other factors we should consider to inform our assessment of council consultation? Please explain what these other factors are, and why they are important.*

The issue of community consultation is one that most councils have considered as a core issue in the FFTF process. Most councils have undertaken a range of options to ensure that their community is aware of the process and that they are aware of the community views and expectations. These mechanisms include newsletters, social media, local press, surveys and public meetings.

It is somewhat concerning that at the 'eleventh hour' the rules appear to have changed and a formal process seems to be required. This is implied in the methodology and is unreasonable at such a late point in the process.

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?*

There is no doubt that there should be a monitoring process established to ensure that the performance of the council meets the promise of their submission. The question is – how should this process be undertaken?

Temora Shire Council believes there are several issues that need to be considered in this space, namely:

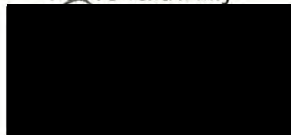
- Monitoring should be carried out by the Office of Local Government not by IPART. This process should be like the Promoting Better Practice (PBP) programme where the intent is to assist the councils to meet their requirements, not impose sanctions. That is, the process should have a positive approach.
- The process should be encapsulated in the provisions of the Integrated Planning and Reporting (IPR) framework. This could occur as an additional reporting requirement to the residents.
- In any instance, the new regime should not be established until the process is essentially completed, that is, new Local Government Act in place, new council elected and Joint Organisations operational. It is only at this point when the full impact of the process will be known.

6. General

There are a number of general issues that require clarification in the methodology, namely:

- The Terms of Reference state that the process will:
 - “ give councils the opportunity to provide additional information, which may include the opportunity for councils to present in person” (2f)Could this process be clarified to enable councils to understand how this will occur?
- The issue of the weight given to public submissions and public opinion is not explained. How will the views of the public impact on the IPART decision?

Yours faithfully



GC Lavelle
GENERAL MANAGER