



## Urana Shire Council's Submission to IPART on Proposed Methodology for 'Fit for the Future' assessment

25 May 2015

The material below, was endorsed in principle by Council at its ordinary meeting held on the 19<sup>th</sup> May 2015. Council welcomes the appointment of IPART along with John Comrie, to act as the Expert Advisory Panel to review local councils Fit for the Future submissions. Council also appreciates the opportunity to be able to provide comment to assist IPART in finalising its methodology for assessment. Council representatives attended the IPART briefing session held in Wagga on the 23<sup>rd</sup> of May 2015.

### IPART questions

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 Office of Local Government (OLG) guidance material?*

#### **Response**

The key elements of scale and capacity need to be applied in a way that clearly acknowledges the relevance of each element to **each differing** local community. The initial Panel review acknowledged that local communities in rural NSW differ from regional and metropolitan communities and this matter requires further development by IPART. The clear differences in the scale and capacity **'required'** between a Regional (Wagga Wagga City Council), as opposed to a larger Rural Council such as Corowa, or Narrandera, as opposed to the lowest populated Councils such as those in Group B, below 4000 people, needs to be realized. Too often, the term 'Rural and Regional Councils' gets used in discussing issues with these Councils, in the same terms, when effectively there are significant differences between Councils for example below 4000 population, from 4000 – 10,000, and then the larger Councils including those that contain Regional Cities.

Extract from methodology page 6 –

*2. How we propose to assess the scale and capacity criterion, as the threshold criterion. All councils must demonstrate that they either currently have, or will have, sufficient scale and capacity with their proposed approach, consistent with the objectives identified by the ILGRP for their region, and the features of strategic capacity in Box 3.1. **We will consider first the ILGRP's preferred option for each council regarding scale and capacity and whether the council's proposed option is broadly consistent with this option.***

For Councils that had a *preferred* option, in **bold**, and chose to submit an alternate proposal, such as Urana, who had the option to merge with Corowa Shire, or submit a Rural Council template, it is not clear as to how the Council's proposed option could be **broadly consistent**, with the panels preferred option. This is considered to only be



**consistent** if Council were to pursue another merger with for example a similar sized Council. By undertaking structural reform in another way, by becoming a Rural Council, with particular emphasis on the Joint Organization assisting to provide scale and capacity, (Urana is in the Riverina Pilot JO), as long as the desired scale and capacity **'outcomes'** are consistent, i.e. the new Rural Council achieves scale and capacity, this should suffice.

There also needs to be clear criteria on how these elements are to be applied - for example, how can the capability of a Local Council to partner with State and Federal governments be evaluated in terms of scale and capacity when both these levels of Government can also at times, lack capacity, including resources, to effectively engage on a wide spectrum of rural issues. It is now known how general 'unquantifiable' areas such as scale and capacity, can be objectively and fairly assessed.

In IPART's Sydney presentation made on 11<sup>th</sup> May 2015, they consider appropriate minimum population size as a possibility for scale and capacity. However, population size is an element of scale (efficiency) but not capacity. The other elements include regional collaboration, (JO) employment of a wider range of skilled staff, (JO and Resource Sharing) Credibility for more effective advocacy (scale) (JO) are all considered acceptable as elements of scale and capacity.

## 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?*

### **Response**

Of the 9 Rural Council characteristics, the most relevant, are listed in order -

1. Challenges in financial sustainability and provision of adequate services and infrastructure
2. High importance of retaining local identify, social capital, and capacity for service delivery
3. Low rate base and high grant reliance
4. Small and static or declining population spread over a large area
5. Local economies that are based on agricultural or resource industries
6. High operating costs associated with a dispersed population and limited opportunities for return on investment
7. Difficulty in attracting and retaining skilled and experienced staff
8. Long distance to a major (or sub-regional center)
9. Limited options for mergers – not a valid characteristic

1,2,3,4,8,9 are all characteristics that suggest communities are better off with Rural Councils. It is considered that Rural Councils, provided they submit sound proposals, can address the more 'negative' characteristics 2,3,5,6 & 7 in the options provided in the templates. The Rural Council assessment should consider the financial characteristics of 1, 3, 5 & 6, and the ability of the other FFF changes that will be introduced for FFF Councils, such as



- possible redistribution of Financial Assistance Grants
- easier rate variation processes
- access to cheaper borrowing
- streamlined and more reliable grants

and be given more 'leniency' in the time it will take Councils to reach the desired financial ratios. This is particularly important for Councils that have engaged with their Community on this issue, and where the Community overwhelmingly support the Council remaining an independent Rural 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?*

#### **Response**

Time doesn't allow, but there could have been a mandatory public hearing process to evaluate the OLG benchmarks and measures for financial sustainability proposed in FFF. IPART did conduct this process reviewing the Local Land Services funding model and a public hearing process is not unusual. It was noted that IPART were only given a short timeframe to assess the initial FFF criteria.

**Efficiency** - IPART cannot assess declining population centres using the real operating expenditure/population as population decline is largely out of Council's direct control. Council can work with strategies to abate decline, perhaps even marginally grow. If Council is to demonstrate efficiency, it will argue that it will measure productivity. Sick leave levels, overtime paid, and low workers compensation payments are typical examples of productivity. Another is plant utilisation and turnaround times of Development Applications for example.

**Infrastructure management** - The Long Term Financial Plan (LTFP) needs to meet the benchmark improvement criteria, but this is all subject to further work to ensure the asset staff and systems in place. The IPART assessment should be on ensuring that Councils make an early commitment to this and the best test for infrastructure and service management would be customer surveys **along with** technical inspections. Condition assessments are valid **only if** they are not over-rated, for better or worse, and these are limited to current thinking on built form and function. That is, function follows form, so if the form of the road or the building is no longer catering to customer/user needs - then it does not function. An asset in poor condition does not necessarily indicate there is an infrastructure backlog, it depends whether there is a need for the functions which the asset supports, e.g. a poor condition Community Arts Centre, is it a problem if there are no artists in town?

**Sustainability** - These measures are considered reasonable, **providing** there is no declining offset in the "state of the Shire" - quadruple bottom line reporting. As



mentioned earlier, all of the factors of sustainability have to be considered equally to realise what net result occurs. If they were to only measure by financial ratios then this **WOULD NOT MEAN SUSTAINABILITY** in the true sense of the word.

**4)**

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

**Response**

The expectations that Council are to effectively engage with their Communities on such a broad scale issue, in the timeframe given is unrealistic. All FFF engagements with the community are high risk. IPART needs to clearly acknowledge that this risk is high due to various Community's being over-engaged, becoming fatigued and dis-interested. This was clearly identified by LGNSW in Involving Locals in Local Plan Making in December 2014 which reflected on the value of IPR engagements. In some instances, particularly in rural areas, the Community are far more connected to the Council, and therefore are comfortable with the Councils direction and position to take on such complex matters, and therefore some apathy may creep in.

Perhaps with more time, the engagement could have been more focussed around around sustainability. For example, what does it look like when the ratios are met? Will these results have undesirable effects (cutting too many services) and therefore some lowering of benchmarks would be necessary to ensure the best options of Quadruple Bottom Line (QBL) sustainability outcomes are met.

The proposal templates are vague when it comes to a Community understanding whether it is a good plan or not. IPART does not need to evaluate the engagement so much, just require that certain information be publicly exhibited and submissions considered. The Community have elected representatives which are accountable for the outcomes until the next election.

**5)**

*Should Council performance against FFF 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?*

**Response**

OLG have already determined that these proposals are to be monitored. IPART published a draft report in November 2013 entitled 'Local Infrastructure Benchmark Costs'. IPART gave itself 4 years as the cyclic review of this report without any interference. If the Council had some flexibility with the benchmarks, this would prove useful, along with productivity reporting suggested above, for monitoring performance. Councils should not get away with making improvement plans and then not monitoring them.

In addition to this submission, Urana Shire Council supports the submission of REROC also. **End of submission**