



TRIM REF: CM.PL9/14

CONTACT: B Graham

YOUR REF:

22nd May 2015

Dr Peter Boxall
Chairman
Independent Pricing & Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Dr Boxall

Methodology for Assessment of Council Fit for the Future Proposals

Wakool Shire Council commends the NSW Government for driving the *Fit for the Future* process and thanks the IPART for the opportunity to comment on the assessment methodology.

Wakool Shire Council has have been classified as a Group C council in the Independent Local Government Review Panel's (ILGRP's) report and we meet all nine characteristics of a "Rural Council".

The *Fit for the Future* process has been very beneficial in prompting this Council to focus ever more intently on analysing our financial performance and we are preparing a Rural Council Proposal based on satisfying 6 of the 7 benchmark criteria by 2016. The benchmark that concerns us most is "60% own source revenue".

We submit that a 60% "own source revenue" target is not achievable for rural councils. We know that this view is shared by other similar councils and by several consultants assisting councils with the *Fit for the Future* process. Accordingly, we expect you will receive other submissions to that effect. The "rural councils" identified by the ILGRP have high infrastructure to population ratios (large areas with small populations), responsibility for extensive road and bridge infrastructure, and asset duplication (if there are multiple towns and villages). We understand that the NSW Treasury Corporation (TCorp) financial benchmark reported the average "own source revenue" for NSW councils was 37.4% for rural and 69.6% for metropolitan councils with an overall sector average of 56.7%. In our case, implementing strategies to achieve 60% "own source revenue" would have to rely on considerable special rate variations, and would result in adverse impacts for primary industry competitiveness for NSW. We expect this would also apply to the other Group C councils. While we accept that "rural councils" should work towards increasing their proportion of own source revenue over time, the target should be lowered to an achievable level around 50%.

With regard to the establishment of Joint Organisations, we have found that the councils identified by the ILGRP as potential participants in a Mid-Murray Joint Organisation are not yet ready to progress discussions with us. Consequently predictions in our Rural Council Proposal about savings and efficiencies that would flow to us from participating in Mid-Murray Joint Organisation rely on our assumption that the other councils the Mid-Murray group will eventually cooperate with its formation and be agreeable to the shared functions we have proposed. I would appreciate if IPART could confirm that this is an acceptable approach to estimating savings and efficiencies in our rural council proposal.

Yours sincerely



Bruce Graham
General Manager