

Answers to Sydney Public Forum Webcast Questions

1. Our council is down to consider a merger with Kyogle Council because of Kyogle's scale and capacity not our own. It is not firmly stated that we should merge, merely 'consider' a merger. We have done this and both councils have agreed that a merger is not in our best interests. We will be submitting an improvement plan. How will the term 'broadly consistent with' be interpreted in this instance?

Answer - We cannot advise on how we will assess proposals until we have the proposal and relevant information, however, we will consider if you have considered both options in a balanced manner and your sound argument as to why your preferred option is the better of the two.

2. If the Panel recommended no change, do we still need to prove scale or capacity by addressing all the key elements of strategic capacity and scale?

Answer - No. If the panel did not recommend any change then you meet the scale and capacity criterion and need to demonstrate how you meet the other criteria in a Council Improvement Proposal. However, you may wish to include information you have considered for scale and capacity as relevant, and address how your plans for the future will improve your performance in these areas. Where the panel identified a merger as a future possibility you may wish to discuss any preliminary investigations you may have undertaken.

3. If the preferred option which is in Bold and is NO CHANGE, do we still have to prove scale and capacity for this option OR do we have prove and evaluate all options including the Preferred Option.

Answer - No. You will need to address the other criteria in a Council Improvement Proposal. However, any investigatory work you may have undertaken to consider other options proposed by the panel would be useful, if provided.

4. What IS the target number of councils?

Answer - We have not established a target number of councils but we note that the Independent Local Government Review Panel (ILGRP or Panel) recommended 18 Local Government Areas in the Greater Sydney area.

5. What is the population target?

Answer - The Government's criteria for scale and capacity are directly linked to the ILGRP recommendations, and we will be assessing whether the proposal is at least "broadly consistent" with the Panel recommendations. The ILGRP noted the relevant population estimates for Sydney metropolitan councils and groups of merged councils in its recommended options.

6. How will IPART objectively assess elements of strategic capacity like MORE robust, CAPABLE partner, HIGH QUALITY leadership?

Answer - The elements of strategic capacity will be assessed overall in a qualitative manner, given that there are no specific benchmarks available. We will use our judgment based on the information provided by the council in its proposal and any other information we consider necessary.

7. In order to meet the operating performance ratio to remain stand-alone we will need a doubling of rates by SRV in five years. If we are assessed as Fit for the Future by your panel, then is this rate increase automatic by IPART?

Answer - No. The special rate variation process is a separate process with different assessment criteria that a council must meet, relevant to the application. In our Fit for the Future assessments, we will consider the reasonableness of the assumptions made by the council, including whether proposed rate increases appear realistic within a projected timeframe.

8. Will IPART confirm that the methodology will be modified to reflect that there is now no structural model for rural councils, that the approach is now long term improvement, that councils just have to meet the majority of the nine criteria (as per OLG advice, and different from the draft methodology's 'weighting' approach), and that rural councils do not have to have considered a merger option if one was not recommended or preferred by the ILGRP?

Answer - The Rural Council proposal should be completed as explained in the Office of Local Government (OLG) template guidance. This requires the council to indicate how it will achieve "real change" in its operations, if necessary, to achieve financial sustainability. It is up to the council to propose what changes, if any, they wish to make. We understand that the final guidance provided by OLG differs from the structural model proposed by the ILGRP in its report. In order to fill in this template, councils need to meet the Rural Council Characteristics, but in order to be assessed as Fit for the Future, the proposal must also meet the other criteria. Rural councils do not need to consider a merger option if one was not recommended or preferred by the ILGRP.

9. I'm a Randwick Resident, at a Precinct meeting late last year we asked how we could not possibly be meeting the capacity with all the new development currently under construction and in the pipe line for future construction for the next 10 years or more. We were told that future projects and sites that have yet to have approval but will be developed are not being included in the capacity. We have many thousands of new properties that are in this category which will make our local area over congested already if this is not considered this area will be more like the city and Bondi and we don't want this. I moved away from Bondi and Waverley for a better life style now we find that Randwick is being forced to grow beyond what residents want. I feel that the survey we were provided was bias and didn't give residents a clear option to not merge. Everyone I spoke with did not know that they could choose not to merge and thought that they had to choose a merger option leading to a distortion.

Answer - We will consider community views as part of our assessment of a council's proposal, including its consultation, as relevant. We encourage people to make their views regarding Fit for the Future proposals known to their councils. The public can also make submissions to IPART via our website from 1 to 31 July on council proposals, after we have received proposals from councils.

10. If our preferred option is NO CHANGE and our council is proposing boundary changes which affects two other Local Government Areas, would you consider our proposal even though it is not one of the recommended options by the panel and also if the other Local Government Areas do not agree?

Answer - We will consider whether the proposal is "broadly consistent" with the Panel's recommendations, and if not, we will assess the alternative proposal on its merits regarding scale and capacity.

11. How will IPART consider community feedback via the council consultation processes, written submissions and via the public forums? Will community feedback hold weight?

Answer - We will consider community views as part of our assessment of a council's proposal, including its consultation, as relevant. We encourage people to make their views regarding Fit for the Future proposals known to their councils. The public can also make submissions to IPART via our website from 1 to 31 July on council proposals, after we have received proposals from councils.

12. Hi there. Thanks for the answer on the rural council issue. Just wondering if you could also please address the other three questions I asked, as follows? 1. What is the target number of councils? 2. What is the population target? 3. How will IPART objectively assess elements of strategic capacity like MORE robust, CAPABLE partner, HIGH QUALITY leadership? Thank you.

Answer - See answers 4-6.

13. In regards to the debt service ratio where the benchmark is greater than 0% to 20%, This ratio assumes that Councils with no debt are not fit for the future, based on the principle that public assets should be financed by borrowings repaid over the life of the asset so that future users contribute to the funding. This ignores financially strong councils who do not need to borrow and have set aside funds over time to replace assets or provide new assets and meets all other ratio benchmarks. For this reason will IPART consider changing the benchmark?

Answer - The debt service ratio benchmark target has been set by the Office of Local Government as part of the Fit for the Future criteria and this will not change. As part of our assessment, we will consider how a council meets the benchmark, in light of its asset management needs and other financial considerations.

14. In the calculation of each of the benchmarks in Section 4.1 of Template 2 where it states 'average over 3 years' is it a rolling average of the previous 3 years or is it an average of 2017/18 to 2019/20? Thanks

Answer - It is a rolling average of three years eg, in 2016/17, it is the average over 2014/15, 2015/16 and 2016/17.

15. On P33 of the IPART 'review of criteria' it states 'The Asset Maintenance ratio reflects the actual asset maintenance expenditure relative to the required asset maintenance.' and clarifies this further 'this ratio provides a measure of the rate of asset degradation...'. Can IPART provide a clear definition of what is 'maintenance'? (eg: reflective of renewals required during the period, depreciation recognised, any spend on maintenance, or something else).

Answer - Maintenance should reflect what the council reports in Special Schedule 7 as part of the standard annual reporting requirements. Under this schedule, required annual maintenance is the amount that should be spent to maintain assets in a satisfactory standard. Current annual maintenance is what has been spent in the reporting period.

16. The calculation of cost to bring to satisfactory and required annual maintenance are reasonably subjective and comparisons of these figures across different councils show that there is a lot of variability in how they are calculated. Can we please have some guidance on how these should be calculated? Thanks

Answer - Councils are required to report this information annually for Special Schedule 7, and we would expect that this is what councils would use as a starting point. The Office of Local Government has provided guidance about the definition of the ratios. We acknowledge that there may be variability in how this asset information is reported, and in addition to projected performance against the benchmarks, we will consider other information a council provides in support of its application eg, performance against a replacement-value based ratio for infrastructure backlogs.

17. Sustainability = Social, Economic, Environmental.

Answer - As part of the assessment process, we will consider any relevant information which councils wish to provide as part of their proposals (including regarding the social/community context and economic and environmental considerations), and any other information we consider necessary.

18. We currently consolidate our airport using the proportional method. We understand that IPART is saying that we only exclude if using equity method - is this correct?

Answer - We would require further information in order to answer your question. Please contact us if you wish to discuss this inquiry further.

19. Would find it better practice to read out all the questions from webcast - it was my understanding this was going to happen I would have come in if it was not the case.

Answer - Unfortunately, there was not enough time in the forum to read out all questions. However, we have posted this list of questions, together with our answers, for stakeholder reference.

20. On p38 of the IPART methodology paper, it is proposed that the Auditor General would monitor the FFTF proposals. If the opinion of the Auditor General is that a council is not following their (the council's proposal), would that result in a qualified audit? Could the OLG issue an improvement notice to that particular council? Thank you.

Answer - It will be a matter for Government to determine any courses of action following audit outcomes, in consultation with the Auditor General.