

INDEPENDENT PRICING AND REGULATORY
TRIBUNAL METHODOLOGY FOR ASSESSMENT OF COUNCIL
FIT FOR THE FUTURE PROPOSALS

Tribunal Members

Acting Chairperson Ms Catherine Jones,
Mr Ed Willett and Mr John Comrie, Members

Members of the Secretariat

Mr Hugo Harmstorf, Ms Lucy Garnier, Ms Kumi Cuthbertson
and Mr Peter Leventis

At

The Commercial Club, 7 Gunwood Street, Wagga Wagga NSW

Due to issues with flight delays as a result of fog, two Tribunal members were not able to attend the first session of the Public Forum at Wagga Wagga. An informal workshop was conducted by John Comrie (Part time Tribunal Member) and Lucy Garnier (Executive Director, IPART Secretariat). Participants were advised that any statements or formal positions they wanted to be considered as part of the consultation for the Fit for the Future Methodology Paper should be formally submitted in a written submission.

1 THE ACTING CHAIRPERSON: Good morning, everyone.
2 First of all, I would like to apologise for our late arrival on
3 account of the fog and circling the airport with three
4 attempts and then finally landing.
5
6 My name is Catherine Jones. I am a tribunal member of
7 IPART. I am joined today by Ed Willett, and you have
8 already met John Comrie. We also have Corin Moffatt, who
9 has just arrived, via Albury. She is sitting in the front
10 row and will assist us with some questions.
11
12 Thank you very much for coming and welcome to the
13 second session of the public forum. I understand you had
14 some informal discussion this morning to get some
15 information and we encourage you to put in some written
16 submissions or any other comments that you would like to
17 make.
18
19 We now have a transcriber here as well, so anything
20 you say, will be put on the public record. When you rise
21 to ask a question, please identify yourself and the
22 organisation you come from to assist the transcriber. If
23 you could limit your comments to a reasonable length to
24 allow others to speak, that would be appreciated.
25
26 SESSION 2: APPROACH TO ASSESSING THE OTHER CRITERIA
27
28 Session 2 is our approach to assessing the three other
29 criteria developed by the New South Wales government that
30 it considers necessary for councils to be considered Fit
31 for the Future. These other criteria are:
32
33 Sustainability,
34 Infrastructure and service management, and
35 Efficiency
36
37 Shortly, I will turn to Kumi Cuthbertson from the
38 secretariat to provide a short presentation. But before we
39 do that, I believe there was a question about whether
40 county councils are included or not and Corin Moffatt will
41 give us an answer on that. Thanks, Corin.
42
43 MS MOFFATT: Good morning, everyone. It is lovely to
44 finally be here and it is nice to see you all.
45
46 I will answer the question, which I think was whether
47 county councils are part of the Fit for the Future process.

1 What the government has asked is for the councils,
2 excluding those in the Far West, to put in a Fit for the
3 Future proposal by 30 June. That does not apply to county
4 councils. Where county councils, I guess, connect into the
5 broader Fit for the Future package is in relation to
6 developing the joint organisation model.
7
8 Importantly there is a joint organisation pilot
9 happening down in this region, and I know that a number of
10 other pilots are looking at how county councils might
11 relate to those organisations as we develop them, but, for
12 the purpose of this exercise, county councils are not
13 included.
14
15 THE ACTING CHAIRPERSON: Thank you, Corin. Kumi
16 will give us a short presentation now
17
18 MS CUTHBERTSON: Thank you, Chair. In addition to scale
19 and capacity, IPART's terms of reference require us to
20 assess councils' performance against three other criteria.
21 This session of the public forum will concentrate on these
22 criteria and other considerations that may affect all of
23 the assessment criteria. These criteria are:
24
25 Sustainability,
26 Infrastructure and service management, and
27 Efficiency.
28
29 There are seven benchmarks against which these
30 criteria will be measured and it is proposed that the
31 assessment for these three criteria will be based on the
32 overall performance against these seven benchmarks.
33
34 Our approach is to scale the benchmarks in order of
35 importance as must meet, must demonstrate improvement in,
36 where achieving the benchmark may not be feasible within
37 the stated timeframe. So basically to summarise our
38 approach, we have set different time frames to either meet
39 or make improvements to meet the benchmark.
40
41 We have provided some flexibility for meeting forward
42 benchmarks for a merger or a rural option that may require
43 short-term adjustment and we have provided some flexibility
44 for merger proposals since estimated performance is largely
45 assumption based.
46
47 At the end of the session, we will be inviting some

1 discussion on this approach particularly around scaling the
2 benchmarks, the time frames and what other considerations
3 should be made.
4
5 We begin with how we propose to assess the financial
6 sustainability criterion. Sustainability means councils
7 will generate sufficient funds over the long term to
8 provide an agreed level and scope of services and address
9 infrastructure funding needs as identified through the IPR
10 process and through consultation with their community. So
11 in assessing sustainability, we will consider:
12
13 Is the council able to meet its expenditure
14 requirements?
15 How dependent is council on grants and contributions?
16 Does council renew assets when due?
17
18 We assess sustainability by using a number of key
19 ratios, firstly, the operating performance ratio. We
20 consider this is a key measure of financial sustainability.
21 It focuses on a council's capacity to meet ongoing
22 expenditure through operating revenue and is an important
23 measure of operating cost recovery.
24
25 Secondly, there is the own source revenue ratio which
26 is a measure for councils' ability to raise its own source
27 revenue which insulates it from a fall in revenue which is
28 outside its control; and, thirdly, the renewals ratio,
29 which provides an indication that council expenditure on
30 asset renewal matches the cost of asset deterioration for
31 the year.
32
33 Each performance measure has a benchmark, as
34 I mentioned earlier, and a council proposal needs to show
35 that it satisfies the benchmark. As we can see in this
36 table, for non-rural councils they must meet the operating
37 performance and own source revenue benchmark within five
38 years and meet, or at a minimum, show improvement for the
39 renewals measure.
40
41 We consider this scaling may be difficult for some
42 rural councils to meet due to their limited ability to
43 raise revenue. For that reason we propose that, for rural
44 councils, they would need to show that the council's plans
45 and strategies for change demonstrate improvement in or,
46 for the operating performance measure, meet the target of a
47 longer period - a 10-year period - which is supported by

1 the current trajectory of forward estimates.
2
3 We next consider how council Fit for the Future
4 proposals satisfy the infrastructure and service management
5 criterion. A council meets this criterion when it seeks to
6 maximise returns on resources and minimise unnecessary
7 burden on the community and business while working
8 strategically with partners to effectively leverage
9 economies of scale and scope. That is:
10
11 Does the council manage its infrastructure
12 effectively?
13 Does the council spend enough to maintain its assets?
14 Does it use debt efficiently?
15
16 The first two ratios on this slide measure
17 infrastructure delivery. First, the infrastructure backlog
18 ratio indicates whether councils are managing the
19 infrastructure effectively, which may affect their ability
20 to provide services.
21
22 Related to this ratio, the asset maintenance ratio
23 shows whether council spending is keeping up with the
24 required maintenance. However, where the infrastructure
25 backlog target is being met, an asset maintenance ratio
26 that is greater than 100 per cent is unlikely to be
27 efficient.
28
29 We also measure how the criterion is satisfied by
30 considering how councils can split the cost of long-lived
31 infrastructure over time through the use of debt financing.
32 We propose in our consultation paper to assess these
33 performance measures in a holistic measure in the context
34 of a council's overall capital sustainability.
35
36 We also noted that there might be some data
37 consistency issues which need to be taken into account and
38 this may influence our consideration on how to assess
39 whether a council proposal meets or shows improvement in a
40 particular benchmark.
41
42 As I mentioned earlier, due to the possible data
43 consistency issues about how infrastructure is measured
44 across councils and also because, for some councils, they
45 may need some time to efficiently deliver infrastructure,
46 we thought it was reasonable to require all councils to
47 demonstrate improvement within five years against these

1 benchmarks, except for the debt service ratio, where we
2 propose that councils' proposal should show that they meet
3 this benchmark within five years.

4
5 Appropriately used, debt enables the costs and
6 benefits of long-lived assets to be shared equitably
7 between generations. In contrast, a continuation of low
8 debt levels within the sector will mean that there is an
9 increasing revenue burden on current ratepayers, if
10 councils partner with government for infrastructure
11 investment or when reducing backlogs.

12
13 The last criterion that we are required to assess is
14 efficiency. A council that satisfies this criterion seeks
15 to provide services and deliver infrastructure in a way
16 that achieves value for money for current and future
17 ratepayers.

18
19 We measure efficiency by considering the real
20 operating expenditure ratio. We acknowledge that typically
21 such a measure is more reflective of cost effectiveness;
22 nevertheless, efficiency targets can be used to drive
23 efficiencies in the sector and create an incentive for
24 constraint.

25
26 However, there is provision for some flexibility as it
27 is a target that is set over time and allows for growth in
28 expenditure in line with an increasing population and
29 service needs within a council.

30
31 The benchmark to assess the efficiency criterion
32 targets a decrease in real operating expenditure over time.
33 Specifically, council proposals must demonstrate
34 operational savings over five years. As we note in this
35 table, we will consider service levels consistent with
36 community priorities, which have been identified in the IPR
37 processes and in consultation with the community.

38
39 You have seen this diagram before. This outlines how
40 criteria 2 to 4 fit into our assessment criteria. So a
41 council will be rated fit if it satisfies the threshold
42 criterion of scale and capacity and the three other
43 criteria overall, as Lucy mentioned earlier, or not fit, if
44 it satisfies scale and capacity, but does not satisfy the
45 other criteria overall.

46
47 We will mainly consider the four criteria that we have

1 discussed in the Fit for the Future process, as required by
2 our terms of reference, but there are a few other
3 considerations which we will also take into consideration,
4 for example, social and community context. This was
5 identified in our terms of reference and may be
6 particularly relevant for scale and capacity. For example,
7 the panel report identified that LGA boundaries should not
8 unnecessarily divide areas and that mechanisms exist and
9 should be considered if they maintain local representation
10 and identity within larger councils.

11
12 Council consultation will be considered with reference
13 to the OLG guidance template, noting that there might be
14 different requirements for a different template that is
15 being used. We will also consider how balanced was the
16 information that was provided to the community in its
17 consultations.

18
19 Also water utility performance is required to be
20 separately reported on if a council provides these
21 services. The seven benchmarks that we use relate to the
22 General Fund data, but we will look at how the General Fund
23 is affected by the water utility business, if relevant.

24
25 The OLG's Fit for the Future material describes the
26 information that is required to be provided, and we have
27 also provided some examples of possible supporting
28 information that you can give us.

29
30 We will be basing our assessment on the information
31 provided through the online portal and any other additional
32 information, as stated in our terms of reference. This
33 additional information may be provided by councils to
34 support a proposal or may be gathered by us.

35
36 Any proposal provided to us should be supported by
37 sound argument with relevant documentation. We will be
38 making a judgment call on the robustness of the argument
39 and the analysis and information used to support a
40 position. As I said before, we may request that a council
41 provide further supporting information if we think that
42 that is necessary.

43
44 This slide outlines a number of discussion points
45 that we have identified in our paper and that we think are
46 relevant for this second session on how to assess the other
47 three criteria for Fit for the Future proposals.

1
2 I will now hand over to the Chair to open the session
3 for discussion, thank you.
4
5 THE ACTING CHAIRPERSON: Thank you, Kumi. We are
6 happy to take your questions or comment now and we will
7 start on the front row here.
8
9 CLR SMITH: Neil Smith, mayor of Junee Shire. Could you
10 clarify something for me? In our earlier chat this
11 morning, we talked about the definition of "rural council"
12 being put to one side or not having that sort of lower
13 class of council if you want to call it that; yet the table
14 up there still includes rural councils with some different
15 goalposts for meeting certain criteria. Will that side of
16 the table go and will it be just all councils or not?
17
18 THE ACTING CHAIRPERSON: Thank you, Neil. Lucy will
19 reply to that question.
20
21 MS GARNIER: When we were talking this morning, what we
22 were talking about was the panel's recommendation for a
23 model for a rural council. As we discussed, and Corin
24 would reinforce this, councils and the Office of Local
25 Government have been discussing that it now is not a model
26 but that councils that fit certain criteria would fill out
27 template 3.
28
29 So when we talk about a rural council option, we are
30 talking about those councils that have chosen to fill out
31 template 3 and have met those rural characteristics - so
32 not a structural model, but just those councils that have
33 filled out template 3.
34
35 CLR SMITH: Thank you.
36
37 MR BARLOW: Barry Barlow, Conargo Shire. With regard to
38 your debt service ratio, I noticed on your slides you had
39 0 to 20 per cent. In the information that was given to us
40 previously, it has to be greater than 0 and less than
41 20 per cent. Has there been a change that you have made?
42 It is also in your methodology as 0 to 20 per cent.
43
44 THE ACTING CHAIRPERSON: I will get Lucy to explain
45 what our changes are. You have obviously seen the ones in
46 the original report.
47

1 MR BARLOW: There were changes in your methodology also.
2 On page 28, I think it is, you stipulate 0 to 20 per cent.
3 Then, later on, when you go up with the debt service ratio
4 again, you say that, as per the templates, it has to be
5 greater than 0 and less than 20 per cent.
6
7 THE ACTING CHAIRPERSON: What has happened there is
8 the data on page 28 is what the OLG guideline is. IPART has
9 had a look at it and we have suggested an alternative and
10 what we would like is your feedback on what you think it
11 should be.
12
13 MR BARLOW: Well, I probably would agree that if you have
14 a zero debt, you should not be penalised with a cross when
15 you fill out the templates. That would be a good
16 well-managed council which does not have debt and is
17 providing for the community. I understand what you are
18 saying, which is that future ratepayers should be paying
19 for that, but I would rather not pay interest to the banks
20 and I would prefer to put it back into our community
21 infrastructure.
22
23 THE ACTING CHAIRPERSON: We recognise that councils of
24 different sizes and different stages in their planning will
25 have different requirements with their debt and different
26 ways of using it. So our suggestion here is, given some
27 flexibility, that councils come back and tell us what they
28 think is the best way to manage their debt. We would be
29 happy to have any written submissions that anybody else
30 would like to put in about what they think these numbers
31 should be.
32
33 I will now hand over to Lucy.
34
35 MS GARNIER: We will clarify in the final version of this
36 report what the benchmark will be judged against. From
37 memory, I believe it is greater than 0 or less than or
38 equal to 20 and we will make sure it is consistent through
39 the report.
40
41 What we have said in our paper, as the Chair has
42 outlined, is that we will assess proposals, and proposals
43 that have proposals outside of those boundaries will be
44 assessed in terms of a supporting asset management plan,
45 but the benchmarks are as set by the government.
46
47 THE ACTING CHAIRPERSON: Just to clarify what Lucy has

1 said, with each of the benchmarks that are in there, we
2 would like you to put your numbers forward as they are
3 written, whether you agree with how the ratios are come up
4 with or not.

5
6 If you have some other information you would like to
7 give us or another way that you calculate ratios, you can
8 put that in addition to give us some context on the
9 proposal that you put in.

10
11 MR RICHARDSON: Craig Richardson from Wagga Wagga
12 City Council. For the operating performance ratio, are you
13 saying that you are going to assess that on the basis that
14 all councils must meet that within five years?

15
16 In terms of calculating that ratio, it includes
17 depreciation expense. One of the key drivers to
18 depreciation expense is related to a council's road
19 network. We would submit that there are many councils that
20 do not necessarily fit the criteria for rural councils that
21 have a high rural road network.

22
23 Those councils will be disadvantaged by the fact that
24 they have a high depreciation expense as a result of that
25 high rural road network. It will make that ratio much more
26 difficult for those councils to achieve relative to other
27 councils that have a lower road network within their LGAs.

28
29 We will be submitting that that criterion be changed
30 from "must meet" to "meet or improve". I would be
31 interested to hear if there are any comments from the
32 tribunal on that.

33
34 THE ACTING CHAIRPERSON: Those are exactly the types
35 of submissions that we are expecting to get, namely, for you
36 to either say that you agree with the timelines we have
37 suggested or to give us another idea, and we will look at
38 all the responses we get and look at what is sensible.

39
40 In the end, whatever benchmarks come out in our final
41 methodology report, we would ask that you put your
42 numbers in with those and then if you have other extenuating
43 circumstances that you think feed into your financial
44 proposal that you have put in, we would like to see that as
45 well so we can make the right decision.

46
47 MR WILLETT: If you feel it is more appropriate to provide

1 that ratio using replacement cost rather than written-down
2 value, we would welcome you providing those numbers as a
3 benchmark against the written-down value numbers as well,
4 that is just to provide more information on your situation
5 and more accurate information on your situation.

6
7 MR RICHARDSON: Thank you.

8
9 CLR LIVERMORE: Brent Livermore from Tumbarumba Shire,
10 Council. Just as a little side note, we are actually the
11 jewel in the crown of the Riverina.

12
13 With regard to the real operating expenditure ratio
14 per capita over time, I certainly have troubles with that
15 one. Where you have the situation of a council with a
16 relatively small population, if that council is financially
17 strong and has the ability to provide infrastructure and
18 high levels of service delivery, it will have a very
19 bad-looking ratio on a per capita basis.

20
21 While we are talking about that improvement over five
22 years, it is going to be very hard to achieve if you
23 actually do your job as a council. I would be interested
24 in your comments on that and the types of things you might
25 be looking at within that ratio.

26
27 THE ACTING CHAIRPERSON: Thank you. We have had a
28 number of questions on this ratio, so I will pass to Lucy who
29 will give a bit more clarification on that one.

30
31 MS GARNIER: We will be looking at the ratio in its raw
32 form, but there will be a lot of context that we will
33 consider around this ratio. As you said, it is not
34 necessarily the absolute value where it is, it is the
35 trend, and what we would be looking at is the trend in the
36 absence of any changes of population or changes in service
37 levels. There will therefore obviously be a different
38 story around each council's situation. Some councils have
39 declining populations. Some councils are increasing their
40 service levels. We will take all of those bits of
41 narrative into account when we look at that ratio. That
42 one is definitely an informed ratio because there is a lot
43 of story to go along with it.

44
45 CLR KENDALL: Rod Kendall from Wagga Wagga City
46 Council. I would like to explore that a bit further. One of the
47 real potentials going forward for local government is that

1 it will provide more services on behalf of other
2 organisations. I think when that happens, it will actually
3 increase the efficiency, and it will happen because of the
4 efficiency; yet, on the raw data, it will show the exact
5 opposite to what you want to show. It will show an
6 increase in operating expenditure for the same number of
7 people, potentially.

8
9 I am just interested in how that narrative will be
10 taken into account because it is all right to say that you
11 can write a narrative, but --

12
13 THE ACTING CHAIRPERSON: Sorry, Rod, just to clarify, in
14 the example that you have used where you have a growth in
15 services or a growth in population, when we look at the
16 trend for this ratio, we will be looking at a set
17 population and a set set of services. If you are going to
18 add services on, we will take that into account. Does that
19 make sense?

20
21 CLR KENDALL: It does, and the potential is that local
22 government will actually, yes, do additional services for
23 other organisations that are paying for those services and
24 potentially giving local government a profit.

25
26 THE ACTING CHAIRPERSON: And we need you to give that
27 information to us so that we can see what is happening.

28
29 MS GARNIER: I think as well for increases in service
30 levels that are council instigated, we would be looking at
31 your community consultation to check that the additional
32 services you are providing are supported by the community.

33
34 What would be helpful is if you could possibly give us
35 some breakdown as to what those additional costs are so
36 that we can section them off. But we can take the
37 narrative and, as we say, we are looking for the trend of a
38 set number of services for a set number of people. There
39 will be all sorts of blocks that get added on for different
40 services that, as you say you, are being funded for and
41 there will be profit from.

42
43 MR HANSEN: Matt Hansen, Berrigan Shire Council. On this
44 real operating expenditure per capita over time, we have
45 obviously population size and in terms of how you are
46 measuring that and how councils should project that going
47 forward, what is the feeling there?

1
2 I know the views of the Department of Planning, but we
3 have zero confidence in the numbers they provide us. We
4 have our own figures that we have used, through an
5 independent demographic company, which we think much
6 better give our past history and are much better to use in the
7 future.

8
9 THE ACTING CHAIRPERSON: Thanks, Matt. We had a
10 similar question in Dubbo and our answer is the same answer
11 this time. If you are not confident in those numbers, we
12 would like you to provide both numbers and explain why the
13 numbers you are using are different and why you believe
14 that they are better. If you think they are a better view
15 of what you think will happen in your area, then please
16 give us a little story to go with that and we will take it
17 into consideration.

18
19 MS BRIGGS: Julie Briggs. I am the executive officer of
20 REROC. We raised this question before the break; that is
21 the question around own source income and the 60 per cent
22 requirement. A number of our councils are concerned that
23 the 60 per cent is determined as an average right across
24 the state. We do not think it is really reflective of the
25 capacity for councils to raise own source income in
26 regional and rural areas, particularly because it appears
27 to have taken in the capacity for, say, the City of Sydney
28 to raise own source income and we don't think that is
29 particularly accurate.

30
31 We would argue that a better ratio would be determined
32 by taking the average of what rural and regional councils
33 can raise and then an average for metropolitan, but they,
34 in fact, should be different averages based on where you
35 are located. Is there room to move on that?

36
37 MS GARNIER: The benchmarks have been set by government,
38 so they are in our terms of reference. The 60 per cent is
39 what the government would like us to assess against. As we
40 have said about other things, you need to make a case as to
41 why your council would include FAGs, for example, in that
42 equation or how you are improving and how the things that
43 you are doing are getting you closer to that and the
44 reasons why you may never achieve the 60 per cent. We have
45 to assess against the 60 per cent, so in the situations
46 where it is totally unrealistic for you to ever get there,
47 the narrative will be important.

1
2 THE ACTING CHAIRPERSON: Just to add to that, Julie, there
3 are some councils that have some certainty on grants that
4 they get into the future. So if you have some certainty on
5 grants over the next few years, or the 10 years that you
6 are planning for, if you could let us know about that.
7
8 The reason it is written as it is is to just give a
9 benchmark across the state and to avoid volatility in the
10 numbers. Some grants are not guaranteed going forward. If
11 you could just show us any grants that you feel are pretty
12 certain that will come your way, that will be helpful.
13
14 While we are waiting for the next question, I thought
15 I would remark that when you look at these seven ratios
16 over the three criteria, we are not going to be looking at
17 a pass/fail for each. We will look at it holistically and
18 we will look at the story that you have given us. You do
19 not have to pass every single one. We are going to get an
20 overall idea of how sustainable you are into future
21 further, so any information you can give us will be
22 helpful.
23
24 MR PINYON: Phil Pinyon, General Manager Wagga Wagga
25 City Council. On page 37 of your discussion paper under the
26 heading of "The impact of water utility performance" - we
27 have touched on this earlier - the first paragraph talks
28 about:
29
30 Councils submitting either a Council
31 Improvement or Rural Council proposal are
32 required to separately report on their
33 water utility performance, where these
34 councils provide water and sewer services.
35
36 Should it not be "water and/or sewer services" because, as
37 is the case with Wagga, we do sewer and we don't do water.
38
39 THE ACTING CHAIRPERSON: Yes, it is "and/or".
40
41 MR PINYON: Thank you.
42
43 MS CHARLTON: Judy Charlton, Narrandera Shire Council.
44 On a similar vein to what Julie Briggs was saying, we will be
45 putting in a submission that own source revenue be an
46 improvement for councils rather than a "meet".
47

1 I understand the comment that you are making about
2 looking at the whole process and the context we provide,
3 but that will be our submission. We feel that for councils
4 that do not quite fit the rural council model - the merger
5 has been looked at and it has not stacked up - but who
6 still have the issue of a large rural road network and
7 perhaps declining population, their own source revenue
8 benchmark should be "improve" rather than absolutely "meet"
9 the 60 per cent.
10
11 THE ACTING CHAIRPERSON: Thank you. Once again, if
12 you could put your submission in as it is written and then you
13 could give us another set of numbers and explain them, if
14 that is what you want to do, thank you.
15
16 MR ROWE: David Rowe, Yass Valley Council. Could I have
17 clarification on a couple of the points. First the point
18 you raised there, Catherine, do you have to put a
19 submission in to actually meet those criteria and then
20 explain - no? Okay.
21
22 THE ACTING CHAIRPERSON: As the ratios are defined, we
23 would like you to do that set of numbers and if you would
24 like to explain another set of numbers, then we would be
25 happy to look at it.
26
27 MR ROWE: Well, that does change the ball game.
28
29 MS GARNIER: There are two situations: one where you
30 don't think that the ratios, as written, accurately defines
31 the position your council is in. So if you do use
32 particular grants and you think that they are very certain
33 and you think they should be included in your own source
34 revenue, we are saying that you should put those in a
35 second version of the ratios.
36
37 But what you are asking is do we want you to make the
38 ratios get to 60 per cent? No. We need your realistic
39 assumptions about where you are going to get to.
40
41 MR ROWE: Okay.
42
43 THE ACTING CHAIRPERSON: We do not want councils
44 shifting costs around just to make ratios get to the right number.
45
46 MR ROWE: I have one more question and it is related.
47 I think you have already answered it in terms of saying

1 that you are looking at an overall assessment of the
2 criteria, but with the operating performance ratio, in our
3 case, we are coming from quite a low base. We will have a
4 model that will certainly get back to meet the benchmark
5 but not in that set time frame. I would like some
6 confirmation that it is not absolute to meet that benchmark
7 within the five years, but it could be six or seven.
8
9 THE ACTING CHAIRPERSON: As I say, we will not be doing
10 a pass/fail on each criterion. If you are showing
11 improvement in a lot of areas, we will definitely take that
12 into consideration when we look at your overall situation.
13
14 MR ROWE: Thank you.
15
16 MS GARNIER: Also, just to add to that, if your feedback
17 to this consultation paper is that the five years is too
18 short for councils that don't meet the rural council
19 characteristics - that is on the record from other public
20 hearings - if that is your statement for this one, either
21 we will make a statement now or you can put it in written
22 submissions to disprove that.
23
24 MR ROWE: I will clarify that now. From our council point
25 of view, a five-year timetable to is too tight and we would
26 be looking at six to seven years to meet those
27 requirements.
28
29 MS GARNIER: And you are not a rural council.
30
31 MR ROWE: And we are not a rural council.
32
33 MS GARNIER: So now that is the record.
34
35 MR ROWE: Yes, and that's Yass Valley Council.
36
37 CLR FAHEY: David Fahey, Urana Shire Council. I asked
38 this question earlier this morning, but my concern with
39 some of the recommendations is that any population under
40 10,000 will basically be deemed not fit. Does the tribunal
41 agree with that or will it take into consideration the size
42 of shires?
43
44 THE ACTING CHAIRPERSON: Corin will answer that one
45 for us. Thank you, Corin.
46
47 MS MOFFATT: Thanks for your question. This magic number

1 of 10,000 seems to have gained an incredible amount of
2 traction.
3
4 Just to go back and explain the history of the 10,000
5 so everybody is clear, when we first started the discussion
6 with government about the rural council model as the panel
7 has designed it, I think the panel talked about it applying
8 to councils that had 4,000 people or less. We said we
9 wanted to get together councils that were slightly bigger
10 than that to have a discussion with us about what the model
11 should look like. That is where the 10,000 figure came
12 from and those were the people we invited to a series of
13 workshops.
14
15 Following that - and we have answered this earlier -
16 we decided collectively that there was not an appetite or a
17 case for a rural council model in the way the panel
18 envisaged, so we moved away from that. We now have, as
19 Lucy has mentioned, a set of characteristics that we think
20 are common to those councils and therefore put them in a
21 position to fill out template 3.
22
23 So the 10,000 doesn't really feature anywhere anymore.
24 It was really just who got on the invite list to do the
25 workshops.
26
27 THE ACTING CHAIRPERSON: Thank you, Corin.
28
29 As you can see from my confusion, David, we don't have
30 a population number in our heads, so I didn't actually
31 understand what you were talking about, so thank you,
32 Corin, for clarifying that.
33
34 MS BRIGGS: This goes back to Corin's question again. If
35 your council has not been called a rural council by the
36 panel but, in fact, has all the characteristics of a rural
37 council, can we then say, "Well, look, we were not called a
38 rural council by the panel but we have all of these
39 characteristics and we think we are a rural council and
40 therefore we should be able to adopt the benchmark for the
41 rural council"? Can we do that?
42
43 THE ACTING CHAIRPERSON: Yes.
44
45 MS BRIGGS: So that would mean you fill out template 3.
46 So even though the panel's option for you - not the third
47 option but the option for you - was council in a JO, for

1 instance, not a rural council, can we go back and say, "We
2 think we are a rural council because we have ticked the box
3 for 90 per cent of it"? Can we do that?
4
5 THE ACTING CHAIRPERSON: Julie, if you believe that you
6 do meet all the characteristics of a rural council, you can
7 put a proposal and explain how you meet those criteria.
8 However, we do still need you to look at what the panel
9 recommended and tell us why you are not going to do those
10 things. Does that make sense?
11
12 So if the recommendation of the panel is to merge with
13 another council or if it says to consider a JO with
14 neighbouring councils and you do not want to do either of
15 those and the people in your community do not want to do
16 either of those, then you need to explain what you are
17 doing and why you are not doing those so that we can see
18 that you have considered the options.
19
20 MS BRIGGS: You would need to explain why you think you
21 are a rural council and not a council, because the options
22 in the panel paper are, in the main, out here are either:
23 council in a JO or merge; rural council in a JO or merge.
24 Those are the predominant choices here.
25
26 If you decided you were in fact a rural council, which
27 sets up a whole set of different benchmarks for you to
28 meet, and not a council in a JO, then you would make that
29 argument to the tribunal and say, "The panel reckoned we
30 are council, but we have all the characteristics of a rural
31 council and we can meet those benchmarks."
32
33 THE ACTING CHAIRPERSON: Can you give me the name
34 of a council so that I can just see what it says and
35 I can then --
36
37 MS BRIGGS: Yes, Bland. Bland Shire Council is a council
38 in a JO that has all the characteristics of a rural
39 council.
40
41 THE ACTING CHAIRPERSON: In the report for Bland, it says:
42
43 Council in Riverina JO or merge with
44 Coolamon and/or Temora.
45
46 None of those options are in bold. In that case, when
47 there is nothing in bold, that means the panel did not have

1 a preferred option.
2
3 MS BRIGGS: That is right.
4
5 THE ACTING CHAIRPERSON: We need for Bland to show us
6 why it would do either of one of those. So it has talked to
7 its constituents and it has figured out what its plan is
8 and it needs to show us why the plan it has chosen is
9 better than the other option.
10
11 MS BRIGGS: So say Bland wants to be a rural council in a
12 JO --
13
14 THE ACTING CHAIRPERSON: You can do that.
15
16 MS GARNIER: -- you fill out template 3 and you then put
17 the assumptions in that you are making about a JO. They
18 are not mutually exclusive, the rural council and the joint
19 organisation.
20
21 THE ACTING CHAIRPERSON: Corin, did you want to say
22 something quickly.
23
24 MS MOFFATT: It is just, because we keep coming back to
25 this issue, a rural council is just a council; there is no
26 difference. What is different is the template you fill
27 out. That is what we are talking about.
28
29 Catherine is right - what you have to you do in this
30 process is if the panel recommended something different
31 here, you have to show that you have considered that and,
32 if you are not adopting it, why not and you can then choose
33 to fill out the template. Is that clear?
34
35 MS BRIGGS: Yes, I think so.
36
37 MS MONAGHAN: Kate Monaghan, Cootamundra Shire
38 Council. I was going to make a comment about the 10,000.
39 Group F councils have a projected population of 5,000 to
40 10,000 and I think that that is where a lot of confusion has
41 come from.
42
43 THE ACTING CHAIRPERSON: I think that just helped the
44 panel put councils into groups to try and get some
45 similarity between their recommendations, so those are
46 their numbers, not ours.
47

1 CLR HARRISON: Pete Harrison from the Palerang Council.
2 There is a pretty well-established pattern of councils
3 applying for special variations to top-up, if you like,
4 their financial position from time to time. It is not
5 isolated to any particular council. It happens across the
6 board, quite obviously. We just got a notice this morning
7 about a number of councils who have had rate variations
8 approved.
9
10 At certain points in this cycle, we have been told
11 that we cannot consider special variations in our Fit for
12 the Future plans. Is that the case; or, as would be
13 perfectly reasonable, I think, on the basis of history,
14 shouldn't one look at one's pattern of applying for rate
15 variations to adjust for the problems associated with rate
16 pegging when one is looking at one's future plan?
17
18 THE ACTING CHAIRPERSON: Thank you, Pete. Just to
19 clarify, IPART also looks at special variations. It is a
20 separate process to this. Every year we look at what is
21 submitted and we make a decision based on the separate list
22 of criteria that goes with special variations.
23
24 However, if you want to put some assumptions in that
25 you are going to get a special variation in the future -
26 and we don't know what we will decide until you put in a
27 submission - you can do that. With any of these numbers
28 that are used in assumptions, we just need you to be clear
29 about what your assumptions are. If you make an assumption
30 for a special variation in the future, just because IPART
31 is looking at this process, it does not mean you are
32 automatically going to get that special variation. It will
33 have to go through the process later on. Does that make
34 sense?
35
36 CLR HARRISON: Yes, I understand that. I guess it is
37 perhaps not any clearer about whether that is an
38 appropriate --
39
40 THE ACTING CHAIRPERSON: Lucy can clarify how it
41 relates to your other documents.
42
43 MS GARNIER: Your IP&R documents should clarify what
44 your forward assumptions are. If a special variation has been
45 raised with your community in all your consultation and it
46 is in year 4, or whatever, then that is a reasonable
47 assumption to make that you will go for that and we will

1 look at your assumptions and financial figures based on
2 that assumption. We are not going to discard it.
3
4 We cannot guarantee that you will get it and you will
5 meet the criteria that are set for the special variations
6 at that time, but what we will be looking at is whether
7 your planning is robust and are your figures based on very
8 robust financial planning? Assumptions that councils make
9 that they will apply for special variations in the future
10 can be robust assumptions.
11
12 CLR HARRISON: Okay, so, my assumptions may be robust,
13 for example, if I had started this process perhaps two years
14 ago, but if I have come into the Fit for the Future process
15 and I have done some analysis of our figures and I see that
16 our financial position needs bolstering with a special
17 variation, I may only be at the beginning of the special
18 variation cycle.
19
20 So maybe all of that information, the robustness that
21 you are talking about and the community consultation, has
22 not actually been carried out. It would need to be carried
23 out, and it would be perfectly reasonable for a council to
24 consider carrying that out over the course of the next five
25 years. That would be a perfectly reasonable time frame in
26 which a council could work for a special variation.
27 However, in that case, I may not be able to, on 30 June,
28 present you with all that information.
29
30 MS GARNIER: We will look at what you provide and, as
31 I say, the robustness. Where you are in the process will,
32 as you say, affect the robustness of your forecasts. What
33 we will assess is: is this part of a robust planning
34 process? Even if you are right at the beginning of that
35 planning process, it can still be robust if it is part of a
36 holistic planning process and forms part of your asset
37 management plan or something like that.
38
39 MR TRETHERWEY: Ken Trethewey, Cootamundra Shire Council.
40 My question is along a similar line. During this process,
41 the minister has talked about his preference for any
42 council which is Fit for the Future being able to access
43 additional rate increases without a special variation.
44
45 Would you think it would be legitimate for us - and
46 this is particularly in a merger situation, a proposed
47 merger - to have done our modelling on the basis that that

1 would happen and to have put in a couple of years in which
2 we would be using today's figures for rate variations; and
3 then, on the assumption that there is a new council in
4 place, it has to do a new community strategic plan, it goes
5 out and talks to the people and says, "This is what the
6 proposal is", it can use that ability, which is theoretical
7 at this stage, to increase the rate without a special rate
8 variation? Do you think that would be a reasonable thing
9 for us to do?

10
11 THE ACTING CHAIRPERSON: Ken, I believe there will still
12 be a special variation process but they are calling it a
13 streamlined process.

14
15 Maybe, Corin, could you add to that for us?

16
17 MS MOFFATT: You are right, Ken, what the government
18 announced as part of the Fit for the Future package was
19 that fit councils would have access to a streamlined
20 process for special rates variations.

21
22 The panel gave a suggested model for what that would
23 look like. The government has not determined whether that
24 is the model; that is, whether it will adopt the
25 streamlining or whether it will come up with something
26 else.

27
28 Without, I guess, being able to prejudge how IPART
29 will interpret your submission, I think, it is reasonable
30 to make some assumptions, particularly if you are going
31 down the merger pathway, that you will have access to that
32 streamlined process.

33
34 MR TRETHERWEY: Thank you

35
36 CLR HARRISON: I guess I am just following this whole line
37 again. This was a point that came up at another stage, and
38 that is the fact that fit councils have access to a
39 streamlined process. One might argue that they are the
40 councils that least need the streamlined process; it is the
41 councils that are seeking perhaps a special variation to
42 become fit that are the councils that need the streamlined
43 process. I am wondering at what point you will be deemed
44 fit enough to fit into the streamlined rate variation
45 process.

46
47 THE ACTING CHAIRPERSON: Perhaps Corin can answer further,

1 but my understanding is that some of the funds have been
2 earmarked for councils that do pursue a merger. It might
3 be the case that, hypothetically, a strong council might
4 merge with a weaker council so it will take them some time
5 to pick up to the ratios.

6
7 Lucy, do you want to add something?

8
9 MS GARNIER: Also with the proposal for streamlined
10 special variations, there is no proposal to remove the
11 current process for applying for special variations. If,
12 for example, a council is deemed not fit, it does not mean
13 to say that council cannot get a special variation in the
14 future. It just means that it will have to go through the
15 current process and meet the criteria and be judged on the
16 full set of criteria as are written for that particular
17 year. It does not mean to say that you are at a dead end
18 and there are no more special variations for you. It will
19 just be a different process.

20
21 CLR HARRISON: I understand that, but it seems like the
22 hurdles are higher if you are having trouble jumping the
23 hurdles.

24
25 MS GARNIER: They will be no higher than they are now.

26
27 CLR HARRISON: With the streamlined process, you are
28 introducing a process that is easier for the councils who
29 need it less.

30
31 THE ACTING CHAIRPERSON: Is your question about what
32 happens if you are rated as not fit? What happens next; is
33 that what you are asking?

34
35 CLR HARRISON: I am more interested in what happens
36 before you get rated as not fit. I am more interested in
37 presenting a reasonable narrative and a reasonable story
38 about being fit and having access to a special variation as
39 a perfectly legitimate mechanism for improving one's
40 financial position.

41
42 I have heard in the past that special variations will
43 not even be considered and you cannot consider a special
44 variation. I am hearing talk about robustness of argument,
45 and stuff like that, but I am having a bit of trouble
46 seeing how one could create a very robust argument. In our
47 case, we could prepare the plans, but it does not give us

1 any more guarantee that we will get the special variation
2 approved.
3
4 THE ACTING CHAIRPERSON: I guess from our perspective,
5 following on from what Lucy has said, for you to put in an
6 assumption that you are going to get a special rate
7 variation next year when you perhaps have not consulted and
8 it is not in any of your plans, that would not be a robust
9 assumption. However, if you have a feel for what sorts of
10 services your area needs and is willing to pay for already
11 and that at some time, maybe three or four years into
12 future, you put that into your planning, then that would be
13 quite a robust assumption to make. The size of it would
14 depend on how willing you think your community might be
15 to pay the extra rates and then it is up to the political
16 process to take it further.
17
18 Is there anything you want to add to that, Lucy?
19
20 MS GARNIER: Yes, thank you, Chair.
21
22 With respect to the difference between streamlined
23 rate pegging and rate pegging at the moment - Corin may add
24 to this afterwards maybe - the process for streamlined rate
25 pegs is not yet set, but it is not necessarily that there
26 will be easier hurdles; it is more that councils that have
27 demonstrated that they are Fit for the Future may be able
28 to self-certify for parts of the criteria, but it is not
29 that the criteria will be relaxed.
30
31 MS MOFFATT: So just to clarify, the government has not
32 determined what the streamlined process will look like. As
33 I was saying earlier, the panel suggested a model of what
34 that might look like along the lines of: if you could
35 self-certify you could go, say, a level above the rate peg
36 without having to go through the current IPART process.
37 The government will have to make a decision on that.
38
39 I guess the principle that underlies it is that that
40 flexibility, if you like, is being made available to Fit
41 for the Future councils with a view that the Fit for the
42 Future process is designed to create bigger, stronger, more
43 strategically capable councils and certainly the message
44 the panel and the government got was that the rate pegging
45 system constrained councils.
46
47 I think this process is showing that if councils have

1 robust financial planning and robust community consultation
2 then perhaps some of the, I guess, controls that are
3 exercised through the current rate variation process are
4 not necessary for those councils that can demonstrate
5 capability.
6
7 That is what lies behind including that in the package
8 of incentives for fit councils but exactly what that will
9 ultimately look like, we are not clear yet. However, there
10 will still be a process that you can go through. Even if
11 you are fit but want a rate rise above whatever the
12 streamlined process allows, there will still be a process
13 that you can through if you want to increase your rates
14 above the peg.
15
16 THE ACTING CHAIRPERSON: Thank you, Corin.
17
18 MR McMAHON: Anthony McMahon from Boorowa
19 Council. Picking up a bit on what Pete said earlier, we are
20 focusing on the special rate variation process as an incentive
21 for those fit councils. One of the other big ones for me is
22 access to lower interest loans. Again, would it be
23 reasonable to assume that, in doing your model, part of
24 that is borrowing funds to pick up your infrastructure
25 backlog ratio? Is it safe to assume that you are going to
26 have access to finance at a lower cost by making the
27 assumption that you will be fit?
28
29 I ask this because, to me before today, I was a little
30 bit more of the view that it is black and white and you
31 need to tick the boxes to be considered as fit, but now
32 what I am picking up is that maybe you do not have to tick
33 all the boxes, so it may be safer to assume that you can
34 access those lower interest loans. Is that a fair
35 assumption to make?
36
37 THE ACTING CHAIRPERSON: Yes.
38
39 Do you want to add anything to that, Corin, about the
40 loans or is it still in development? We don't know exactly
41 how all these things will look yet.
42
43 MS MOFFATT: The TCorp borrowing facility will be made
44 available from next financial year. Once councils are
45 assessed as fit, provided they meet whatever lending
46 criteria TCorp puts in place, as a bank would, they will
47 have access to those low interest loans.

1
2 To answer the question about what is a safe
3 assumption, my personal view would be if you are putting in
4 a proposal that has you a million miles from the benchmark
5 it is probably a dangerous assumption to make that you will
6 be deemed fit and be able to access that cheaper borrowing.
7 If you are fairly confident on what you are putting
8 forward, based on whatever the final methodology is, then
9 I think that would be a safe assumption to make.
10

11 MR STUBBS: Ray Stubbs from RAMROC. Could I ask a
12 hypothetical about what might happen down the track. Let's
13 bear in mind that the recommendations from the panel, say
14 for a merger, were not authenticated by a business case at
15 the time. If you have two councils proposed for merger
16 that have gone to the stage of having a business case
17 prepared but the business case shows that there is little
18 advantage and they probably still will not meet the test,
19 however, the individual councils will not meet the test
20 either, how do you see IPART then reporting on that to the
21 minister?
22

23 THE ACTING CHAIRPERSON: It depends on what case you
24 put forward. If you put forward a case that meets what the
25 panel has suggested, then you are much more likely to be
26 considered fit, in which case you will have access to extra
27 funds, et cetera, that the government is providing.
28

29 If you were to put in as stand-alone councils, and
30 then you are considered to be not fit, if you do not pass
31 on your own, then it is a political decision for the
32 government to decide what happens next.
33

34 MR STUBBS: And that's the real answer, isn't it? It
35 becomes a government decision.
36

37 THE ACTING CHAIRPERSON: That's right.
38

39 CLR KENDALL: I am not sure that answered the whole
40 question. Maybe I misunderstood the answer. You might
41 have two rural councils stand alone and they are unfit.
42 Bring them together, they are unfit. What is the view?
43

44 MS GARNIER: As the previous questioner outlined, if the
45 councils have had some analysis done - some robust analysis
46 done - we would expect the councils to put forward sound
47 argument for what that council thinks is the best option

1 for that council.
2

3 Quite rightly, as highlighted, not all of those
4 options will meet the benchmarks because two councils
5 together did not meet it and two councils separately did
6 not meet it. The councils should put forward what they
7 think is the better of the options and put forward
8 realistic assumptions as to what benchmarks it would meet
9 and any narrative with it.
10

11 Our recommendation to go to the government will say
12 fit or not fit, but it will also include some narrative.
13 If that narrative says, "The council did explore all the
14 options available to it and all those options raised by the
15 panel and this is the best option, but obviously clearly it
16 still doesn't meet fit", then the minister will make a
17 decision as to what happens to those councils.
18

19 MR McMAHON: I am going to put forward a scenario here.
20 Corin knows the scenario and there are other people in the
21 room who know the scenario.
22

23 At the moment the framework has been set up so that if
24 councils are going to put forward a submission that
25 involves a merger, all the councils that are proposed in
26 that merger should have a resolution that says they agree
27 to that merger.
28

29 What happens in the scenario where you have three
30 councils that are meant to merge, two of them have resolved
31 to support that merger and the other has resolved something
32 different and that merger of the three aligns with what the
33 independent panel said in the first place? If one of those
34 councils that resolved to support the merger of three did
35 not put a submission in because the system was not set up
36 to allow it and that council was deemed not fit, does the
37 default position then go back to what the panel said in the
38 first place, which is what that council wanted?
39

40 THE ACTING CHAIRPERSON: I believe in the first session
41 you would have seen the bullet point that talked about
42 considering options that are broadly consistent. In that
43 hypothetical where you have three councils and two want to
44 play together and the other does not, then we will consider
45 the proposal that the two put in and see how it meets the
46 criteria. As for the other one that does not put anything
47 in, that council will be deemed not fit and, once again, it

1 is a political discussion.
2
3 MR McMAHON: Maybe I should clarify this a bit more, and
4 there are others in the room who know what I am saying.
5 There are three councils the panel said should merge. Two
6 of those councils have resolved to say, "We will support
7 that. We want those three councils to merge." One of
8 them, being my council, has specifically said it doesn't
9 want to merge with one of the other councils alone; it
10 wants the three or it wants nothing.
11
12 What I am saying is we have a case to put forward that
13 the merger of the three should happen, as the panel said.
14 However, at the moment, template 1 says you should only put
15 that in if you have the support of all the councils for
16 that proposal. Thus the alternative may be to put nothing
17 in, we will be deemed not fit, and the default position may
18 be what the panel says.
19
20 THE ACTING CHAIRPERSON: Lucy will give you an
21 answer because she has thought about this a bit more.
22
23 MS GARNIER: Well, we have started to think about it
24 because it has now been raised twice. You are right. At
25 the moment if there is no resolution of all the councils,
26 those that have resolved to join the merger can fill in the
27 merger template. Those who have not resolved would either
28 have to fill in the stand-alone or make no submission and
29 the panel will assess the proposals as they are submitted.
30
31 I don't think I am speaking out of turn by saying we
32 will take this on notice and try and clarify it further in
33 the final paper. This was also raised with us yesterday by
34 a metropolitan council and it is not something that we have
35 had time to give a great deal of thought to.
36
37 What you are trying to say is by not doing something,
38 one council might get its own way by not playing the game.
39 I am afraid we will have to take that one on notice and
40 give it some more thought and try and address it in the
41 final paper.
42
43 THE ACTING CHAIRPERSON: Thank you, Anthony. We
44 have had a few hypotheticals during our forums and they are
45 exercising our minds.
46
47 MR TRETHERWEY: I will just chuck in another hypothetical

1 about the same scenario; that is, the number 3 council does
2 not want to play with number 1 and 2 but it has decided to
3 play with number 4 and number 4 had decided not to play
4 with number 5. Won't that complicate things for you?
5
6 THE ACTING CHAIRPERSON: Obviously the panel has come
7 up with its set of recommendations. I think that the
8 government is now giving councils the opportunity to have
9 their say. If you feel that you have a better option with,
10 say, number 4 playing with number 5 instead of number 1 and
11 number 2, you can put that proposal in and then we will
12 consider it.
13
14 Are there any more hypotheticals out there?
15
16 MR SMITH: Ray Smith, Bland Shire Council. If a council
17 completes template 2 and it is deemed Fit for the Future on
18 the basis that it wishes to stand alone but its neighbour,
19 which could be a jewel in the crown in the Riverina, is
20 deemed unfit, is it likely that there would be a forced
21 merger?
22
23 THE ACTING CHAIRPERSON: We cannot comment on that.
24 That is up to the government. It is a political decision
25
26 MR SMITH: Would Corin like to comment?
27
28 THE ACTING CHAIRPERSON: I think the answer is no.
29
30 Just to add to that, our remit is limited to saying if
31 you're fit or not fit. After that, it is out of our hands
32
33 CLR KENDALL: You give recommendations, though.
34
35 MR WILLETT: Yes.
36
37 THE ACTING CHAIRPERSON: Yes, we will put a report
38 together and explain what we think about each proposal.
39
40 MS GARNIER: But, as I explained earlier, we can only
41 include a narrative of the information that we have been
42 giving. We will not be going away and suggesting 5 and 6
43 or 1 and 7. That is not what we are here for.
44
45 MR SMITH: You are not into hypotheticals.
46
47 MR MOFFITT: Craig Moffitt, Jerilderie Shire Council.

1 I have no hypotheticals, just two questions. The first one
2 is: I am a little bit intrigued by the continual reference
3 to "rural council in a JO". I know where it comes from
4 but, in fact, we are all going to be councils in a JO. Is
5 that still true?
6
7 MS MOFFATT: Yes.
8
9 MR MOFFITT. The second point is that our submission will
10 have a very robust discussion about how we will grow our
11 own source income. That will be full of assumptions some
12 of which will depend upon the attitude and performance of
13 state government departments in the future. I am wondering
14 what the panel is going to do to test my assumptions.
15
16 THE ACTING CHAIRPERSON: We will use our judgment,
17 but any evidence you can provide to back up facts and figures
18 and experience your council has had to back up any of the
19 proposals that you are making is all helpful, and then we
20 will use our judgment.
21
22 MR MOFFITT: Well, I will be telling you what I can see in
23 my crystal ball, but I don't think you have the same
24 crystal ball, so I was just wondering.
25
26 THE ACTING CHAIRPERSON: Would anybody else want to
27 ask anything? Now is your chance to get any more clarification
28
29 MR BILSKE: Des Bilske from Deniliquin Council. For
30 merger proposals, do the councils have to be geographically
31 adjoined?
32
33 THE ACTING CHAIRPERSON: As I said before, the panel has
34 made certain recommendations. If you have an option that
35 you think trumps those, then we would like to see it.
36
37 To add to that, you also have to say, if you have
38 another option, why you did not follow the panel's option
39 to be clear.
40
41 MR BARLOW: With the operating performance ratio, for
42 2013-14, as you are aware, the financial assistance grant
43 was only 50 per cent. Do we just make that notation on the
44 templates we are completing or will you be picking it up
45 because it has happened to all New South Wales councils?
46 Most councils would probably have a deficit for 2013-14
47 because they got only 50 per cent of the revenue share in

1 grants. Do we have to make a notation or would that just
2 be accepted?
3
4 THE ACTING CHAIRPERSON: No. We would like you to
5 give us a note on anything like that that has happened in your
6 area.
7
8 MR BARLOW: That has happened throughout New South Wales.
9
10 MS GARNIER: Yes, we realise that, but it would be easier
11 for us if you were to include that, because it might be
12 masked on some councils' figures by some other increases.
13 It is just a footnote on it that is required, thank you.
14
15 MS CUMMINS: Lola Cummins, deputy chairman of REROC.
16 I want to address the issue of consultation. Initially we
17 were told that it was only necessary if you were proposing
18 to merge. Now the goalposts have changed, but I admit they
19 have been changing all the way along as far as costs are
20 concerned.
21
22 I want to know whether there will be any recognition
23 of previous consultation outside the Fit for the Future
24 process. We all go through a series of consultations with
25 our communities, not only through the IP&R process, but we
26 have letters and some have Facebook pages. There all sorts
27 of ways that we communicate with our communities and get
28 feedback from them. Will there be recognition of what has
29 already been done?
30
31 THE ACTING CHAIRPERSON: I think if you have
32 assumptions to back up some of your financials, and that is
33 based on items that are already in your planning documents
34 that you have consulted on, then, yes, we will consider it. You
35 need to explain to us, though, that you have done that
36 consultation and link it to the right places to make it
37 clear for us, please.
38
39 Anybody else?
40
41 MR ROWE: I think you have probably answered this question
42 anyway, but some of the actual ratios rely on
43 interpretation and some robust discussion on definitions of
44 "backlog" and "depreciation". I assume that many councils
45 will use different assumptions behind those and, based on
46 what you have said already, as long as we can substantiate
47 what we are actually putting behind ours, then that is how

1 you would assess them - would that be correct?
2
3 THE ACTING CHAIRPERSON: That's right. So we want you
4 to put the numbers in as they are defined here and then
5 explain how you got to those numbers based on the way that
6 you do your figures at your council.
7
8 MR ROWE: Thank you.
9
10 MR QUINN: Tony Quinn from Greater Hume Council.
11 Madam Chair, will there be a record kept of the history of the
12 rapid change that will perhaps happen in New South Wales?
13 Will there be a record from your organisation, IPART, or
14 the Office of Local Government? We have few scant examples
15 in history, but when radical changes are made, I think that
16 somebody ought to be held responsible.
17
18 I am not saying that you all should be burnt at the
19 stake or anything like that, but when very radical economic
20 decisions are made, particularly in the bush, in countries
21 like Australia, somewhere down the track, it should be
22 recorded. The international world is now realising, on the
23 economic front, that low interest rates are not the cure
24 for the problems of the world. No-one needs an economic
25 degree - one only needs a reasonable education - to figure
26 out that it will create a disaster down the track.
27
28 I am putting to you that you suggest that, somewhere
29 in the government portfolio, they record what they are
30 doing so that the generations in future will know what
31 happened, and if people did make a stuff-up - and it might
32 not be a stuff-up, but if people did make a stuff-up - it
33 is recorded.
34
35 THE ACTING CHAIRPERSON: Thank you for your
36 comments, Tony. To be clear, you are on the public record, so
37 this is all on the public record now.
38
39 We are going to do a report. Our report will go the
40 government and make recommendations. When the
41 government decides what it is going to do and releases its
42 announcement on what is going to happen, we will put our
43 report on the website so you can see whether they followed
44 our recommendations or if they did something different.
45 Does that answer your question or your comment?
46
47 MR QUINN: Thank you.

1
2 THE ACTING CHAIRPERSON: Thank you.
3
4 SPEAKER FROM THE FLOOR: We will know where to sheet
5 the blame.
6
7 THE ACTING CHAIRPERSON: Unless there is one last
8 question, we might wrap up.
9
10 CLOSING REMARKS
11
12 THE ACTING CHAIRPERSON: Thank you very much for
13 attending today's forum and for being so patient while you
14 waited for us to get here. We appreciate your contribution to
15 helping us make these important decisions in developing this
16 assessment methodology.
17
18 The transcript from today's forum will be available on
19 our website during the next week. Could we encourage you
20 again that if there is anything else you have not asked
21 today or clarified today to please put in a written
22 submission so we can take it into account.
23
24 Thank you again for attending and, with those
25 comments, I close the forum, thank you.
26
27 AT 1.05PM, THE TRIBUNAL WAS ADJOURNED ACCORDINGLY
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