

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Wollongong City Council

Date received: 2/07/2015

015



The Director
General Purpose Standing Committee No. 6
Parliament House
6 MacQuarie Street
SYDNEY NSW 2000

Our Ref:

Z15/134528

File:

EM-912.01.002

Date:

1 July 2015

Dear Sir/Madam

NSW LEGISLATIVE COUNCIL PUBLIC INQUIRY INTO LOCAL GOVERNMENT IN NSW (FIT FOR THE FUTURE)

Thank you for the opportunity to participate in the Inquiry into Local Government in NSW by way of a submission. Wollongong City Council (Council) has completed and submitted its Fit for the Future Improvement Proposal, and welcomes the Standing Committee's interest in reviewing the process. Council generally supports sector reform, and would like to offer the following comments, linked to the Terms of Reference where applicable:

Fit for the Future Reform Agenda

Fit for the Future is a positive move in the right direction to encourage councils to focus on their financial and asset sustainability in a strategic way. However, the program indicates that a fit council is only financially and asset capable, rather than responding to those other issues raised by the Independent Local Government Review Panel, such as sound leadership, environmental responsibility and social resilience.

Scale

The Independent Local Government Review Panel recommended no merger options for Council and proposed a Joint Organisation for the Illawarra Area. It is understood, therefore, that Council immediately meets the scale and capacity criterion under Fit for the Future.

There is concern, however, that the criteria appear to be unmeasurable, despite wording such as "more robust", "wider range of skilled staff", etc. There is no benchmark measure included, making it difficult to determine whether a Council can meet the criteria or not.

Council also has concern over the lack of evidence provided in the assertion that scale - a larger Council - essentially means more capacity and resilience than a smaller sized Council. There are a number of smaller Councils through this process who have anecdotally indicated they meet most or all of the Fit for the Future criteria, and likewise, there are also larger Councils who are not meeting the criteria. The Independent Panel's report suggests that bigger is better - but this model is based only on assumptions. By including the criteria of scale in the Fit for the Future program, the Office of Local Government (OLG) has effectively favoured these assumptions over any evidence argued in the contrary.

Benchmark Criteria

Council would like the Inquiry to give focus to the limitations of the benchmark criteria, as they have been given particular importance by the NSW Office of Local Government (OLG) in determining whether a Council is 'fit'. Council has raised the limitations during the various Fit for the Future forums held by OLG during April and May 2015, as have many other councils during the consultation period. Council supports the Independent Pricing and Regulatory Tribunal's (IPART) inclusion of tiered criteria weighting, especially given the limitations of the infrastructure related benchmarks. However, Council feels the benchmarks are in need of significant review – there are minimal standards around how the benchmarks are measured, and the ability for results to be manipulated because of the lack of standards is concerning and means the results will vary significantly. It is also hoped that OLG can engage with the Institute of Public Works and Engineering Australasia (IPWEA) and the local government industry and commit to improving the ratios prior to any amendment or inclusion in the Integrated Planning and Reporting (IPR) Guidelines.

The limitations of the infrastructure benchmarks are summarised below:

Asset Maintenance Ratio – Required asset maintenance standards are not set by the OLG and therefore the definition of required maintenance is arbitrary, and varies across Councils. It makes for difficult comparison across Councils as it is impacted by community service level requirements, as well as locational differences, etc. Further, IPART itself acknowledges that a result in excess of 100% can indicate a Council "is not efficiently managing its assets" (pg.45) – or that it is "overspending" on maintenance.

Infrastructure Backlog Ratio - The term "satisfactory condition" in the numerator is problematic as it is a notional value and not defined by OLG. The use of written down value in the denominator is equally problematic - measuring "cost to bring to satisfactory" over the written down value of assets means that the reported backlog percentage can change without any additional backlog items. The denominator effectively measures relative age of assets within portfolios and also eliminates impaired assets that have no value. The measurement will therefore impact the relative significance (size) of the result without measuring capacity to renew.

Building and Asset Renewal Ratio – A number of environmental factors can impact on the result of this measure. The measure does not account for contributed asset renewal, assets managed by third parties, or assets that aren't being replaced. Examples might be privately funded commercial buildings or community constructed recreational assets where at least a portion of renewal would be anticipated to be third party funded. For Wollongong itself, a significant new greenfield development identified in regional strategies is taking place at West Dapto. Council plans to construct in excess of \$500M in new infrastructure as part of this development over the next 40 years. This measure will therefore be skewed by this new development where it is necessary to provide new infrastructure to service the new community, as well as focus on renewal in our established communities.

Timeframes for completion of the Fit for the Future Proposals

Council did not need to re-engage its community specifically for Fit for the Future as Council had recently undertaken significant community engagement as part of its "Securing our Future" sustainability review, which resulted in a number of efficiency measures and a special rate variation application in 2014. In my opinion, had Council been in a position where it needed to engage with the community, thorough community engagement and financial and infrastructure modelling would not have been possible within the timeframe.

Impact of Fit for the Future on IPR and SRVs

Council acknowledges the links made by IPART to the NSW Integrated Planning and Reporting Framework and supports this approach given there is little reference to IPR provided in the OLG templates.

There does however need to be more detail on how the Improvement Plans will be monitored (i.e. implementation reported on, performance measured and outcomes achieved) and drive improved sustainability into the future. Council suggested to IPART that it recommends to OLG in its final report that Improvement Plans are integrated into Council Delivery Programs and Operational Plans, rather than as additional plans to report on. The Fit for the Future Benchmarks – once the limitations have been improved - have the potential to be included in Council Annual Reports (recognising Special Schedule 7 will become auditable), and are encouraged to be used as a planning tool for Delivery Program reviews.

Should the benchmarks be considered to be used as indicators for future rates increases, significant review of the validity of the benchmarks needs to occur prior to this being implemented.

Please contact
require further information.

should you

Yours sincerely

David Farmer
General Manager
Wollongong City Council