

## **INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES**

**Organisation:** Coffs Harbour City Council

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# COFFS HARBOUR CITY COUNCIL



Our ref: 5671673

3 July 2015

The Director  
General Purpose Standing Committee No. 6  
Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Sir

## **Submission to Inquiry into Local Government in NSW**

Attached is Council's submission in response to the terms of reference for the inquiry into local government in NSW.

Yours faithfully

Steve McGrath  
**General Manager**

**Att.**

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# **Submission to the NSW Legislative Council General Purpose Standing Committee No. 6 Inquiry into Local Government in NSW**



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July 2015



*Helping to achieve the 2030 Community Vision*

## Introduction

Coffs Harbour City Council is making a submission to the New South Wales Legislative Council's General Purpose Standing Committee No. 6 Inquiry into local government in NSW following the release of terms of reference for the inquiry. Council's submission focuses on the assessment process being used to deem whether or not a council is 'Fit for the Future' and relates to the following items in the Inquiry's terms of reference:

*(b) the financial sustainability of the local government sector in NSW, including the measures used to benchmark Local Government as against the measures used to benchmark State and Federal Government in Australia.*

*(c) the performance criteria and associated benchmark values used to assess local authorities in New South Wales.*

*(d) the scale of Local Councils in NSW.*

*(f) the appropriateness of the deadline for Fit for the Future proposals.*

## General Comments

1. Scale and Capacity is a threshold criteria and in addition there are the other three criteria with six benchmarks. The combination of these will be assessed to determine if a council is fit. This combination assessment is therefore partially subjective or at least judgements need to be made as to what weight to give to particular criteria and benchmarks. This weakens the objectivity of the assessment process and leads to additional uncertainty for Councils.
2. There are inherent flaws in certain benchmarks, in particular:
  - a. Asset Renewal Ratio – greater than 100% averaged over three years. Given the longevity of the infrastructure, a far longer period of averaging is required to use greater than 100%. Alternatively the benchmark threshold should be lowered to say 60-80% if a short timeframe is to be applied. Short timeframes also do not adequately take account of the asset class(es) renewal profile(s).
  - b. Infrastructure Backlog Ratio.
    - the ratio contains the highly subjective component, Estimated Cost to bring Assets to a Satisfactory Condition. There is no consistency in the measurement of this across Local Government.
    - the inclusion of Condition 3 assets in the ratio is spurious as the definition for these is that maintenance is required and not renewal. Renewal is only required for Conditions 4 and 5 and this should be the focus of this ratio.
    - The use of Written Down Value is inappropriate in an infrastructure sustainability measure as it is likely to lead to inconsistent and potentially unreliable policy decisions.
  - c. Real Operating Expenditure Per Capita – in a relatively young and growing community such as the Coffs Harbour LGA, a reduction in this ratio is difficult and subject to external factors. Not only does it assume economy of scale will be available generally, it assumes the same level of service continues to be provided

over time. Given the history of cost shifting to Local Government and the general requirement by communities to have improved services over the longer term, this ratio should be viewed with a long term time horizon in mind.

3. Fit for the Future proposals were required to be submitted by the 30 June 2015, only several weeks after IPART was able to finalise its assessment methodology. This provided limited time for proposals to be refined. More concerning is the requirement on IPART to complete all assessments and provide its report to the State Government by 16 October 2015. The limited time for councils to amend proposals in light of the revised methodology and the short period for IPART to assess proposals is less than optimal.
4. The alignment of IPART's assessment methodology with the Integrated Planning and Reporting (IP&R) framework is strongly supported. To address any ambiguity of methodology application the IP&R guidelines should be used in conjunction with Australian Infrastructure Financial Management Guidelines (AIFMG), International Infrastructure Management Manual (IIMM) plus codes and circulars by the Office of Local Government.
5. The 'meet OR IMPROVE' approach adopted by IPART in its assessment methodology is strongly supported. Under IP&R councils who have a 10 year strategy in place to achieve financial sustainability are not likely to be in a position to meet a Fit for the Future target in say 3-5 years but should be able to demonstrate improvement.

## **Conclusion**

Council has concerns regarding the partial subjectivity of the assessment process, inherent flaws in three of the benchmarks and the tight timeframes that apply to the whole process.

On a positive note, alignment with the IP&R framework and the 'meet or improve' approach is strongly supported.