

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Penrith City Council

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

**Submission to the General Purpose Standing Committee No. 6
Inquiry into Local Government in New South Wales.**

Penrith City Council welcomes the opportunity to provide feedback on local government in New South Wales and particularly the Fit for the Future reform agenda.

Penrith City Council submits the following comments to the General Purpose Standing Committee No. 6 in relation to the Terms of Reference, the focus of this submission is terms of reference a), b), c), d), f), and o) which are most relevant to Penrith City Council's Fit for the Future (FtF) proposal to IPART.

Council finds the timeframe for making a submission to the standing Committee No. 6 insufficient, with three working days (five days including the weekend) between the deadline for FtF proposals and the deadline for the Inquiry into local government in NSW. Most council's will have been fully engaged in completing a FtF proposal during this Inquiry's submission period leaving limited resources or time to respond to the General Purpose Standing Committee No. 6 Inquiry into Local Government in NSW.

Terms of reference:

a) The NSW Governments Fit for the Future reform agenda

In March 2012 the Minister for Local Government announced the establishment of the Independent Local Government Review Panel (ILGRP) to investigate and identify options for governance models, structural arrangements and boundary changes for NSW Local Government, taking into account:

- Community needs
- Service and infrastructure issues
- Financial viability
- Representation questions
- Barriers and incentives for change.

Penrith City Council has engaged actively with the ILGRP submitting a response to the ILGRP in June 2013.

Prior to the Office of Local Governments release of the FftF and within the context of the NSW Governments local government reform agenda Penrith City Council revised its long term financial plan and commenced a capacity review to improve productivity and efficiency. Council was well placed in September 2014 to respond to the FftF reform agenda.

Penrith City Council generally supports the FftF assessment methodology and has expressed support for alignment with IP&R and monitoring local government performance against FftF plans through the Annual Report and Resourcing Strategy.

Council agrees with the key elements for assessing scale and capacity and scaling the FftF benchmarks with timeframes to meet or make improvements towards meeting the benchmarks within 5 or 10 years. However Council is concerned at the lack of information about how the key elements of strategic capacity are to be weighted and for the limited opportunity within the timeframe for extensive community engagement.

In relation to infrastructure management Penrith City Council is using Jeff Roorda and Associates (JRA) *Bringing Infrastructure to Satisfactory* methodology and has requested guidance from IPART on definitions in relation to Infrastructure Backlog for *Bring to Satisfactory* (BTS) and *Maintain at Satisfactory* (MAS).

- b) **the financial sustainability of the local government sector in New South Wales, including the measures used to benchmark local government as against the measures used to benchmark State and Federal Government in Australia,**
- and
- c) **the performance criteria and associated benchmark values used to assess local authorities in NSW**

In the current regime of rate pegging, restrictions on developer contributions and FftF requirements, councils have limited ability within these financial constraints to manage delivery of essential infrastructure and to help build resilience in our communities.

Although encouraging long term financial planning, allocation of appropriate funds to asset maintenance and renewal and a focus on productivity improvement to reduce cost of service delivery overall are all positive outcomes from the FftF reforms, use of standard benchmarks across the state with no allowance for individual circumstances is not a long term solution. State Government needs to work with Local Government to build on the work done so far and further refine the benchmarks so that they better reflect the variation in how FftF will look across NSW.

Penrith City Council understands the challenges in developing an assessment tool for measuring and benchmarking sustainability and has in recent times been critical of some of the attempts by the NSW Government to do so. The 2013 TCorp ratings and benchmarks were intended to fit all 152 Councils with no effort made to give consideration to the individual circumstances of each Council. Since that time the benchmarks have been refined and versions of many of those included in the FftF reforms have been included in each

Council's Financial Statements and have been refined following consultation with the industry.

The initial FftF measures and benchmarks did not give adequate consideration to the different circumstances, environments of life stages of individual Councils. "Fit" for a growing urban fringe Council like Penrith, compared to mature metropolitan Council or a rural Council looks, and rightly so, very different. As one example to use a Sydney based population growth factor to project the population of Penrith, the same factor to be used for a mature Council, would have been erroneous.

Penrith has been pleased with the shift following the finalisation of the assessment methodology by IPART that now sees only 3 of the benchmarks as "must meet" and instead trend analysis used for the remainder. While there is still room for improvement, Penrith is confident that a consultative approach with the industry and measures that allow for the intricacies of individual Council's circumstances to be considered in assessing financial sustainability can be achieved.

d) the scale of local councils in New South Wales

The number of people living in Western Sydney is expected to rise from 2 million in 2011 to 2.9 million in 2031. The NSW Government expects this population surge to fuel demand for over 300,000 new jobs across the Greater Western Sydney Region. Associated growth in physical assets will present a very different picture of 'appropriate' funding for asset maintenance and renewal than would be the case in areas with little or no growth.

It is Penrith, together with the other councils in the outer Western Sydney growth corridor, which have done most of the "heavy lifting" on population, especially with respect to providing affordable housing for young families, newly formed households and new migrants. This growth has occurred without appropriate infrastructure or funding from other tiers of government which has created a deficit of physical and social infrastructure in these outer metropolitan growth areas (OMGAs).

The consequence of this is that people on the outskirts of Sydney are becoming more remote from opportunities, creating more divided cities and a considerable future financial impost on governments and society. Infrastructure provision or the lack thereof, is at the heart of the issue.

There is a compelling case for targeted and significant intervention in the OMGAs such as Penrith by all levels of government. Investment in the necessary infrastructure in these areas would generate jobs, increase tax revenues and permanently boost GDP.

Penrith is home to a passionate community of artists and organisations who create their own opportunities and two world class venues; the Penrith Regional Gallery and Lewers Bequest and the Joan Sutherland Performing Arts Centre. Both venues are predominantly funded by Penrith City Council. This kind of opportunity would not exist if Council did not provide funding. Programs in the inner city, funded by other levels of government, educational and private institutions, do not represent a drain on council resources as they do in the west. The inequity of investment and funding for cultural facilities and the gaps that councils must fill should be considered if financial benchmarks are to continue as a way of assessing council performance.



Even though 1 in 10 Australians live in Western Sydney, the area receives 1% of the Commonwealth's arts program funding. Currently only 5.5%* of State arts funding goes to Western Sydney where 30% of the state's population lives. On a per capita basis this is a significant shortfall in funding for Western Sydney's cultural arts sector.

Despite these inequities, the region has grown its own unique mass of cultural arts activity around its venues, events and organisations with an exceptional cultural arts offer. While events and shows in Western Sydney are typically smaller than their Eastern Sydney counterparts they produce a significantly better return on investment on a per attendee basis, ensuring any investment has the potential to bring significant benefit to the region.

To build on the region's strengths and enhance each Council's strategic capacity Blue Mountains City Council, Hawkesbury City Council and Penrith City Council have formed a strategic alliance. In response to the state government's review of local government and focus on subregional planning, and in the absence of any direction from the review, it is an opportunity to identify ways to better deliver some of our key priorities and those of the broader region.

The state government's subregional planning fails to recognise the interrelationships and communities of interest within the growth corridor. There is a strong alignment between the north-south corridor of Western Sydney's growth councils that reaches beyond the current subregional planning boundaries. It is disappointing there is not a better understanding of the regions dynamics, strengths and opportunities, and a more considered approach to its growth, jobs and infrastructure needs. A focus on council by council assessment of standard benchmarks does not necessarily encourage collaboration – councils may be reluctant to invest in projects with regional benefits if it may impact on performance against benchmarks that are individually assessed.

f) The appropriateness of the deadline for Fit for the Future proposals

Late confirmation and publication of the FftF assessment methodology was problematic, creating some uncertainty and delay in progress in completing proposals. Assessment methodology was confirmed on 1st June 2015 and proposals were due on 30th June.

The FftF reform agenda timeframe of approximately 9 months made in depth community consultation, specifically use of a community panel approach problematic. Use of a citizen jury approach takes many months to negotiate and plan and a minimum of five months to implement. The extent of the proposed reforms and level of change to local government in NSW makes deeper more informed consultation with the community desirable. Penrith City Council will be working with the New Democracy Foundation to undertake community engagement throughout 2015 as part of its FftF Improvement Plan. This engagement will focus on service and infrastructure needed in Penrith, and will be supported by online forums and other methods to draw on thoughts from a wider section of the community. Engagement planned for 2016 will build on these results, and work to confirm priorities going forward toward the preparation of the new Community Strategic Plan.

o) The impact of the Fit for the Future benchmarks and the subsequent IPART performance criteria on councils current and future rate increases or levels

Penrith City Council would welcome the introduction of the benefits and support package as described at OLG FftF Forums and in the Ministerial Circular (M15-03) on 20th April 2015, specifically a more streamlined IPART process for setting rates for Councils that meet FftF benchmarks and criteria.

Overall, Penrith City Council supports the principles behind the FftF agenda. Council's need to plan for long term financial sustainability, better manage and maintain their significant asset base and continue to look for opportunities to improve productivity to ensure that services are delivered efficiently. A great strength of the IP&R legislation is the creation of the link between council resources (assets, finances and staff); council activities and long term community outcomes. Establishment of a regular system of assessing Council performance to ensure they are able to continue to deliver the essential services on which communities depend is a positive initiative.

Council's across NSW, however, are very different, experiencing different levels of growth, investment, and expectations from their communities. Standard benchmarks will not be sustainable long term. The Office of Local Government, IPART and the Local Government sector as a whole must build on the work already done to refine the benchmarks so they can better reflect individual circumstances.

Yours faithfully.

Alan Stoneham
General Manager