



Warrumbungle Shire Council

Extraordinary Council Meeting

Wednesday, 28 October 2015

**to be held at the Council Chambers,
14-22 John Street, Coonabarabran**

commencing at 3.00 pm

Mayor

Councillor Peter Shinton

Deputy Mayor

Councillor Murray Coe

COUNCILLORS

Councillor Gary Andrews

Councillor Anne-Louise Capel

Councillor Fred Clancy

Councillor Victor Schmidt

Councillor Chris Sullivan

Councillor Ron Sullivan

Councillor Denis Todd

MANAGEMENT TEAM

Steve Loane (General Manager)

Stefan Murru (Director Corporate & Community
Services)

Kevin Tighe (Director Technical Services)

Leeanne Ryan (Director Development Services)

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NOTICE is hereby given that the Mayor has called an **EXTRAORDINARY MEETING** of the Council that will be held on Wednesday, 28 October 2015 at the Council Chambers, John Street, Coonabarabran commencing at 3.00pm with the following item to be considered.

Item 1 Fit for the Future Submission

Division:	Corporate and Community Services
Management Area:	Finance
Author:	Director Corporate and Community Services – Stefan Murru
CSP Key Focus Area:	Local Governance and Finance
Priority:	GF4 Council governance and organisational structure reflects the vision, directions and priorities outlined in the Community Strategic Plan.

Reason for Report

To inform Council of the release of the IPART Fit for the Future (FFF) Review Report and the final FFF consultation period announced by the Department of Premier and Cabinet. This report also aims to provide Council with options available to it during the consultation period. (Note: all information in this report is current as at 23 October).

Background

Council submitted its final Fit for the Future Council Improvement Proposal in June, and has now received a final verdict from IPART. IPART's review of Council's Proposal found the following:

- Council meets the Scale and Capacity criteria;
- Council does not meet the financial criteria overall;
- Although Council met the financial criteria overall in the original submission, IPART did not agree with Council's assumptions around the re-distribution of FAGs grants from urban councils to rural councils and backed out revenue (roughly \$1m per annum) related to this Improvement Action Plan from the calculations;
- Once the \$1m expected annual increase in FAGs grants were backed out from the calculations, Council no longer met the Operating Performance Ratio and Efficiency Ratio;
- Council met all other ratios, even after IPART adjustments for the \$1m annual increase in FAGs grants.

In summary, Council has been deemed to be "Not Fit" by IPART. Conversations with the State Government indicate that this "Not Fit" decision in the IPART report is final.

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Council became aware of IPART's decision Tuesday afternoon 20 October 2015. Council's General Manager redirected senior council staff (Director Corporate and Community Services and the Chief Financial Officer) from a conference in Sydney to liaise with IPART, the Office of Local Government and the Department of Premier and Cabinet (DPC). Meetings were booked with IPART for Wednesday morning, and discussions were held with IPART staff responsible for Council's decision, as well as with case managers within the OLG.

A separate phone meeting was also organised immediately with Steve Orr, Executive Director, Department of Premier and Cabinet for Thursday. These meetings along with a meeting organised by DPC for all OROC councils have provided valuable information into the reason behind IPART's decision and the way forward for Warrumbungle Shire Council.

Council is now required to submit feedback on the results of the IPART report by Wednesday 18 November 2015 via an online portal, before the State Government (i.e. the Department of Premier and Cabinet) provides final advice on the future of local government in NSW and Warrumbungle Shire Council.

The online portal asks for:

1. Council's feedback on IPART's assessment of its Fit for the Future submission;
2. Details of preferences (up to three separate preferences) for possible council mergers in the case of councils that were not fit due to the scale and capacity criteria, or councils that border a council that was not fit due to the scale and capacity criteria. Council is also able to comment on the merger preferences in the online portal.

Issues

Council is now required to submit feedback on the results of the IPART report by Wednesday 18 November 2015 via a specially designed online portal. This is Council's last chance to influence the final Local Government Reform process, and its impact on our Council.

Details of information required on the two online portal questions can be found below:

1. Council's feedback on IPART's assessment of its Fit for the Future submission

Warrumbungle Shire Council (WSC) has been deemed "Not Fit" by IPART due to Council not meeting the sustainability criteria of the FFF requirements. As mentioned above, the reason Council did not meet this criteria was due to IPART disagreeing with Council's assumptions around the distribution of FAGs grants from urban councils to rural councils (Improvement Action Plan 3.6).

In Council's Improvement Action Plan 3.6 (IAP 3.6), Council included increased revenue of around \$1m per annum starting from 2017/18 as a result of a forecast redistribution of the FAGs grants pool from urban councils to rural councils. This Improvement Action Plan was included in Council's submission as it was part of Recommendation 8 of the Local Government Review Panel Report which recommended that:

"Subject to any legal constraints, seek to redistribute federal Financial Assistance Grants and some State grants in order to channel additional support to councils and communities with the greatest needs"

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All discussions with various government entities indicated that “councils and communities with the greatest needs” were rural councils. It should also be noted that the \$1m estimate was very conservative given that a distribution of the Sydney Metropolitan pool FAGs allocation of \$177m to rural councils based on the current distribution pattern, would result in WSC receiving increased funding of just over \$2m per annum.

In discussions with IPART on Wednesday 21 October, it was indicated that as the implementation of Recommendation 8 was not current government policy, this assumption was excluded from Council’s Fit for the Future submission, and Council’s ratios were all re-calculated excluding the roughly \$1m per annum FAGs increase. This meant that Council did not meet all the financial criteria, particularly the Operating Performance Ratio and Efficiency Ratio.

Discussions with IPART and the OLG indicate that one option available to Council as part of the 30 day review period would be to resolve other savings that could result in Council meeting this benchmark. As part of the FFF consultation process, Council considered several Improvement Action Plans that would have resulted in savings equal to the required \$1m per annum, but these savings were not adopted.

Table 1: Items previously presented to Council in the FFF workshops but not adopted

No	Measure	Annual Saving
1	Cuts to two (2) Urban Services Positions (one in Baradine, one in Binnaway)	\$120,000
2	Savings from purchase of an additional water cart	\$40,000
3	Special Rates Variation (SRV) – 10%	\$750,000
4	Introduction of a Stormwater Levy to fund stormwater works	\$105,000
	Total (2016/17 dollars):	\$1,015,000

Council management have also subsequently held a workshop to discuss further cost savings, as well as possible new revenue items. Other possible savings and adjustments to revenue forecasts that Council could use to demonstrate that Council is Fit for the Future as part of the review process have been detailed below:

Table 2: Further cost saving initiatives / adjustments for discussion

No	Measure	Annual Saving over 10 years
1	Recently announced R2R Grant increases Extra \$3.439m over 5 years	\$344,000
2	Further staff savings from two reduced positions	\$120,000
3	Closure of three pools in the smaller towns – net cost excluding capital (Baradine, Binnaway, and Mendooran)	\$230,000
4	Cease the Community Development Coordinators program	\$96,000
5	Close the Coolah aerodrome	\$35,000
	Total (2016/17 dollars):	\$825,000

Although it is Council’s view that the FAGs grants assumptions were reasonable, IPART does not agree, and has deemed Warrumbungle Shire Council Not Fit. Fortunately, it appears that Council now has another opportunity to demonstrate to the State Government

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that we are Fit for the Future. Council can use the feedback on IPART's assessment section of the online return to demonstrate further cost savings that will make up for the approximately \$1m per annum reduction in revenue due to IPART excluding the FAGs grants increase from IAP 3.6.

This is Council's last chance to demonstrate it is fit, and Council will need to make the hard decisions now to secure our future in this round of local government reform.

2. Details on possible merger preferences

In Council's 30 day review period, Council is also able (via the online portal) to provide details of preferences (up to three separate preferences) for possible council mergers. The portal asks for preferences from all councils that were not fit due to the scale and capacity criteria, or councils that border a council that was not fit due to the scale and capacity criteria. Council is also able to comment on the merger preferences in the online portal.

Despite Warrumbungle Shire Council being deemed "Not Fit" by IPART, Council did meet the Scale and Capacity criteria. Council does however border two councils that did not meet the Scale and Capacity criteria (Wellington Council and Liverpool Plains Shire Council), and one Council who although not fit, did meet the Scale and Capacity criteria (Mid Western Regional Council).

A map showing IPART findings for Warrumbungle Shire Council and all neighbouring councils as well as a table showing details of the results of all neighbouring councils can be found below:

Table 3: IPART results for neighbouring councils (Green = Fit, Orange – Not Fit)



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Table 4: Further details of IPART results for neighbouring councils

Council	Fit / Not Fit	Scale and Capacity?	LG Review Panel Recommendation	Pop.
Dubbo	Fit	Yes	Council in Orana JO or merge with Wellington and/or Narromine	40,250
Gilgandra	Fit	Yes	Rural Council in Orana JO or merge with Coonamble	4,500
Coonamble	Fit	Yes	Rural Council in Orana JO or merge with Gilgandra	4,250
Narrabri	Fit	Yes	Council in Namoi JO	13,450
Gunnedah	Fit	Yes	Council in Namoi JO	12,500
Liverpool Plains	Not - Fit	No	Council in Namoi JO or merge with Gunnedah	7,750
Upper Hunter	Fit	Yes	Council in Hunter JO	14,200
Mid Western	Not - Fit	Yes	Council in Central West JO	23,000
Wellington	Not - Fit	No	Council in Orana JO or merge with Dubbo	8,850

As per instructions from a letter from the Department of Premier and Cabinet (attached under separate cover), Council has commenced initial discussions with neighbouring councils on the way forward. A schedule of outcomes of these discussions will be provided at the Wednesday 28 October Council meeting.

Options

Council can either:

1. Submit details of further cost savings / increased revenue in order to demonstrate that Council has the ability to meet the FFF benchmarks;
2. Not submit further cost savings and argue that the FAGs grants assumptions are reasonable, and await a final decision from the State Government;
3. Prepare a case for a merger with either one or more of our neighbouring councils deemed not fit due to a lack of scale and capacity.

Financial Considerations

The State Government has previously indicated that Councils that are deemed to be Fit for the Future will be granted access to the following by the NSW Government:

- Access to a streamlined IPART process for rate increases above the rate pegging limit, particularly focused on infrastructure funding needs;
- Access to a T-Corp borrowing facility with a budget of \$600m;
- Priority access to other State funding and grants;

In recent discussions with both the OLG and DPC it has been indicated that councils that are not fit will **NOT** have access to these benefits.

The State Government in order to incentivize councils to consider mergers has also offered the following for two or more councils that decide to merge under their Stronger Communities Fund:

- A \$5m merger implementation grant;
- A \$5million Stronger Communities Fund payment to two councils merging, with \$10million for three or more councils merging.

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It should be noted that discussions with OLG/DPC indicate that the stronger communities funding is only available where the merger is supported by all merging partners and the government, and the merger proposal is submitted by the 18 November 2015 deadline.

RECOMMENDATION

It is recommended that:

1. Council seek further cost savings / increased revenue of around \$1m per annum to offset IPART's removal of our FAGs grants assumptions in its assessment and **FURTHERMORE** that Council report these further cost savings to the Department of Premier and Cabinet as part of Council's feedback on the IPART assessment in order to demonstrate that Council is Fit for the Future.
2. That Council consider its response to merger preferences.