

3 November 2011

Our Ref: F09/587
Contact: Alister Duncan – 9562 1665



Local Government Team
Independent Pricing and Regulatory Tribunal
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Dear Sir/Madam

Thank you for the opportunity to comment on how IPART might improve its existing approaches, without imposing unreasonable reporting requirements on Councils in NSW. Council has noted the issues raised in IPART's Discussion Paper in regard to the measuring and assessing of productivity performance of local government in NSW and provides the following submission.

At the outset, Council wishes to highlight that as you will no doubt appreciate under the Local Government Act 1993, Section 8, "The Council's Charter", a Council is able "to raise funds for local purposes by the fair imposition of rates, charges and fees, by income earned from investment and when appropriate, by borrowings and grants". Accordingly the practice of discounting the annual rate peg amount by "notional productivity gain" without community consultation undermines the achievement of the Council's Charter.

In this regard, the ratepayers should have the opportunity to put forward their views as to whether the "notional productivity gain" should in fact be used to achieve a reduction in rates or be retained by Council to say deliver increased service or service levels or to fund the well documented funding shortfall highlighted by the Percy Allen Report and many Long Term Financial Plans of the Group One and Two Council's including Rockdale City Council whom have moved to the Integrated Planning and Reporting framework.

In response to the issues raised in the Discussion Paper the following responses are submitted:

Is the current method of using an economy-wide measure of productivity and then discounting it for application to the NSW local government sector the most appropriate for future years? If so which ABS series would be most appropriate?

Determining a productivity factor as a one "factor fits all Councils" within NSW may cause inequities as no two Councils have the same activity mix or accepted service levels for common activities.

If not, what alternative measure would be more appropriate for determining a productivity factor?

Council is unable to determine an equitable alternative.

Can Councils measure some (or all) of their productivity gains in terms of changes in physical units (that is, in volumes or quantities) of outputs and changes in prices paid for inputs? If so, in what ways would these changes be expressed?

It is accepted that some productivity gains may be measured in volume or quantities. However an accurate comparison of the productivity gain may be difficult because of such factors as the resultant variation in service levels or extension of the useful life of an asset. Practically the productivity gain may be neutralized by an increase in the service level to meet community expectations.

Are productivity improvements able to be captured within Council's Long Term Financial Plans? If so, please illustrate.

Rockdale City Council has the ability to factor a productivity gain into its Long Term Financial Plan but it may not be specific to any one activity or expenses type. It is currently factored as part of the rate peg.

What indicators should IPART use in assessing the productivity of Council's?

Council does not believe that there is a group of indicators that can be effectively calculated and reported due to the complexity of the diverse range of services and activities provided by NSW Council's. An example of this is the efficiency of the road network which can be significantly affected by geographical position, age of assets, maintenance programs over the preceding twenty years and the community expectations.

How can productivity indicators be improved over time?

On the basis that indicators are established and factors developed to assist in comparisons, this will result in greater consistency in the data collected by Councils and how it is reported.

Are net costs of individual services useful in measuring and comparing Council performance?

Council believes that net costs are not a useful measure for the comparison of a Council's performance as each Council has its own community expectations, funding levels, service levels and external influences.

Can Councils demonstrate how the cost escalation assumptions in their Long Term Financial Plans are derived and why they are reasonable in the light of current inflationary trends?

Rockdale City Council is able to report on the escalation assumption within its Long Term Financial Plan. However in regards to the issue of reasonableness, this is a subjective matter dependant of the source of these projections and assumptions.

Should you have any further enquiries please contact Council's Manager Finance and Administration, Alister Duncan on 9562 1665.

Yours faithfully



Chris Watson
General Manager