



Manly Council Submission to

IPART Review of the Revenue Framework of Local Government

1. Introduction

The IPART review is to investigate and make recommendations on:

1. an appropriate inter-governmental and regulatory framework for setting rates and charges that facilitates the effective and efficient provision of local government services;
2. a role for IPART in setting rates and charges in future years, and
3. a framework for setting the charges levied by certain public authorities, such as Sydney Harbour Foreshore Authority (SHFA), Redfern Waterloo Authority (RWA), Sydney Olympic Park Authority (SOPA) and the Growth Centres Commission (GCC), to enable these authorities to recover costs for the provision of services that are normally provided by local government.

Terms of reference for the review

The terms of reference require IPART, in undertaking this review, to have regard to a range of matters, including:

1. the role of local government in delivering infrastructure and services to the community
2. the current and future financial position of local government and the scope for efficiencies
3. all the revenue sources available to local government
4. the socio-economic impacts of rates and charges, including the ability of families and pensioners to meet their rate obligations
5. differences between metropolitan, regional and rural councils
6. the findings of recent reviews of local government
7. the matters in Section 15 of the IPART Act.

IPART's overall task in this review is to recommend a framework for regulating council rates and charges.

The criteria for a good regulatory framework will include the following criteria:

1. promotes the effective and efficient provision of local government services

2. enhances the financial sustainability of local government
3. meets the standard principles for good regulation and taxation, including:
 - a) efficiency
 - b) equity
 - c) simplicity
 - d) transparency
4. enhances the accountability of local government.

Local governments are characterised as general purpose governments, which are representative of and directly accountable to their local community. Although local government has been in existence for more than 160 years, it is not recognised in the Australian Constitution. Manly Council is of the view that Local Government should be recognised in the Constitution together with the principle of subsidiarity that political power should be exercised by the least central unit of government.

The 1993 Local Government Act was intended to provide more local autonomy and flexibility, by being less prescriptive about councils' role and functions, while introducing greater public accountability and stricter regulation for corporate planning and reporting.

Manly Council contends that the long running rate pegging regime in NSW has damaged the effective and efficient provision of local government services; destroyed the financial sustainability of local government; denies the standard principles for good regulation and taxation, (including efficiency, equity, simplicity, and transparency) and prevents local government from being properly accountable to its community.

Rate pegging undermines local government autonomy, limits the capacity of councils to exercise prudent long term financial planning and limits the capacity of councils to provide for the costs associated with the provision of long term infrastructure assets, as well as meeting recurrent service needs of the community. It also potentially distorts to the local government fiscal system, undermining principles of accountability and transparency. Rate pegging should be discontinued.

The 2007 report by the Productivity Commission concluded that:

"The major constraints on revenue raising by local governments appear to arise from the democratic process itself and reflect policy choices by local governments in response to their political environments."

In other words the democratic process should be left to regulate council revenue raising.

There are underlying equity issues in property taxes as they do not truly reflect capacity to pay. The local government structural and fiscal system should be flexible enough to respond to the future needs of the community (however these may evolve) as well as current known needs, and recognise the nature of those needs and community expectations generally. It is incumbent on our system of government to provide the fiscal means through which the needs of communities can be met.

The ongoing tolerance of cost-shifting in governments in NSW undermines and damages the financial sustainability and autonomy of the local government sector further.

The fact that 35% of Australia's councils could be financially unsustainable should be of serious concern to all levels of government and should be addressed rather, than the obsession with regulating local government revenue raising.

The fiscal and funding processes within which local government operates do not sufficiently reflect the long-term financial impact on councils of its significant infrastructure asset base. Fiscal processes and structures should be overhauled to reflect the substantial long-term weight of the local government asset burden, instead of being concerned with regulating the framework for revenue raising.

Local government should be entitled to a guaranteed and defined share of the national taxation 'cake' that is linked to the economic prosperity of the nation and has the capacity to grow. Guaranteed access to a defined share of a growth tax is necessary to enable local government to respond to future community demands and needs, as well as presently known demands and needs.

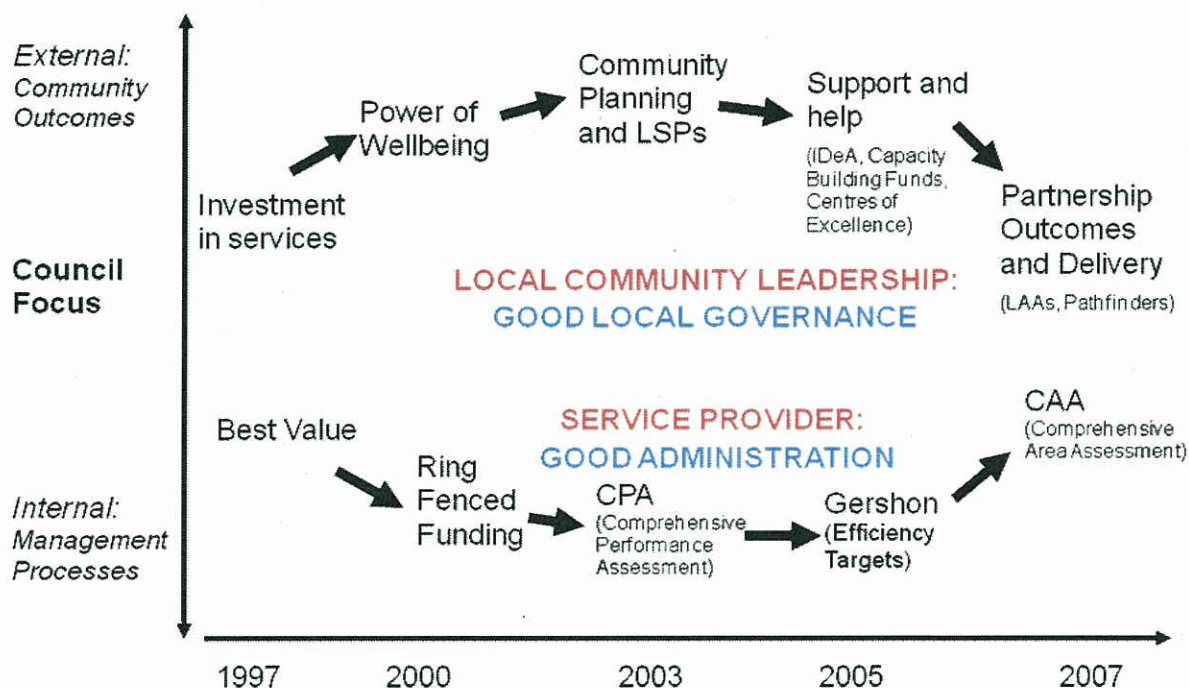
The reform proposals of the Department of Local Government focus on the community leadership role of council and long term strategic planning in facing the challenges of all levels of government - *'to respond in measured, strategic and relevant ways, the need for leadership, and the need for vision.'*

'Councils who have the capacity to identify and respond to the influences and pressures affecting their community's future, set key directions and priorities and develop strategies to achieve the outcomes their community wants are in a far better position to survive and prosper.'

Councils taking up this community leadership role should be accountable to their community for revenue raising, as in New Zealand, not to another level of government.

Over recent decades the UK government has used various 'carrot and stick' approaches to encourage the efficiency as well as the effectiveness of local government as shown below.

Two Paths



It is Manly Council's contention that a council that is truly accountable to its community should only require a 'carrot' or 'local community leadership' attitude from a mature government in order to regulate itself.

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