



## **Submission by Clarence Valley Council on Review of the Revenue Framework for Local Government**

### **Independent Pricing and Regulatory Tribunal**

I welcome IPART'S role in reviewing the revenue available to local government and the opportunity to make the following submission.

The statutory framework within which local government operates is a major determinant of the roles and priorities of the functions of local government. That being the case the charges imposed by other statutory authorities, on councils, have significant impacts. The following is an indicative list of the agencies that deliver services throughout the State and whose decisions have the capacity to impact significantly on the allocation of scarce local government resources. Similarly, where the agency has the capacity to raise revenue directly from local government there is often little room for the charges to be influenced, either by local government or by the apparent movement in so called cost of living indices.

For example -NSW Valuer General's Services

- Fire Brigades
- State Electoral Office
- Rural Fire Services costs sharing
- State Emergency Services
- Department of Lands

I am sure local government would welcome IPART's ongoing role in assessing the veracity of proposed charges and calculations. The Independence of IPART would be particularly valuable as a moderator the revenue raising aspirations of government.

Rating exemptions provisions of the Local Government Act generally pre-date the 1978 introduction of rate pegging and reflect a period where there was a vast array of State owned infrastructure owned and operated more as a 'social service' rather than a revenue generating business. State Forests, commercial activities within the Crown Lands and land owned by the Rail Infrastructure Corporation are examples of property owners whose claim for rating exemption appears to be incongruous with the largely commercial nature of the activities conducted on their properties. The applicability of the full range of exemptions should be reviewed and contemporary criteria developed to assist that review.

Because NSW Rate Pegging was introduced across the Board and applicable to all Councils regardless of their immediately prior efforts to drive efficiencies, there is likely to be a wide divergence of just about any measure of rating revenue between councils. The annually produced comparative data, which compares, among other things, average residential rates levied by councils within classifications, demonstrates that these data almost defy comparison. This divergence probably indicates many things, including the widely differing positions of councils immediately prior to the introduction of rate-pegging thirty years ago. All political parties in the State appear to be committed to retaining rate pegging. Therefore, in an attempt to normalise the rating bases of Councils there should be an opportunity for Councils to re-establish their individual rating bases.

I propose a similar justification and community consultation process as provided in Sections 508 or 508A of the Local Government Act 1993 but with the understanding that the increase in the rating base is for the re-establishment of the financial sustainability of the Council. Generally, it can be demonstrated that local government's revenue raising capacity, especially general rate revenue raising, has been unreasonably constrained by the operation of rate pegging. The proposed process differs from the existing mechanisms to seek a special variation from the Minister because it would not be specific project or program driven but more about re-establishing capacity and sustainability.

#### Measuring the Financial Sustainability.

Much has been written about the sustainability of local government and the measures that should be relied upon as well as consequential action to be taken. In an area where there is population growth the capital cost of the provision of water and wastewater services will demonstrate a higher proportion of revenues being committed to debt servicing costs and, by projection of revenues in line with cost of living indices, a widening gap of the sustainability of the councils compared to others without those demands.

Similarly, in an area with an ageing demographic and a paucity of community service providers, a council might be more inclined to be involved in direct community service delivery than in an area where those circumstances do not prevail. In those circumstances a council decision to concentrate on so-called 'core activities' and allow the loss of those necessary community services will be seen as turning one's back on the needs of the community. The point is that the suggestion/direction to a council to return to core activities, without the identification of an alternative provider of those key community services, will, to many councils, simply not be an option.



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29 August 2008