



all communication to
GENERAL MANAGER

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your ref: 08/159

contact: Rino Santin

August 29, 2008

The Chairman
Review of Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
SYDNEY NSW 2000

Dear Sir

RE: REVIEW OF REVENUE FRAMEWORK FOR LOCAL GOVERNMENT

Thank you for the opportunity to submit the following comments in response to the Issue Paper for the Review of Revenue Framework for Local Government.

Overview

The application of rate pegging has not unreasonably restricted this Council in its financial ability to deliver an increased range of works and services to its community. The primary reason being Council has a substantial rate base, but in addition, it has reviewed and implemented internal and external opportunities that have created other revenue streams, or improved efficiency and effectiveness. While this combination has proven successful, it is now evident that rate pegging and ongoing improvement alone will not be sufficient to sustain the service level aspirations of the Lismore community.

The single biggest issue facing Council is defining and adequately financing its total asset management responsibilities. Council is in the process of developing this information with some components being well advanced. The information indicates that Council's current financial capacity will fall short of a sustainable quantum. For example, data on the sealed roads network indicates that \$79 million is required to bring these roads up to an acceptable standard. The review of the revenue framework for local government is timely from Lismore City Council's perspective, but it must identify new sources of revenue, not tied to the ad valorem rating system.

Autonomy

Local government's elected representatives have a responsibility to their constituents to deliver the works and services required by their community and they are held accountable for their performance at elections held every four years.

The imposition of rate pegging and special rate variation legislation effectively diminish this accountability and add unnecessary levels of bureaucracy to council's administration. No other jurisdiction in Australia has legislation prescribing like limitations and requiring such decisions to be made at State or Territory Government level. These controls need to be removed and councils given greater autonomy.

Rate Pegging

The State Government determines the rate pegging increase each year based on advice from the Department of Local Government and Treasury. The process followed and methodology used to determine the increase has never been disclosed to local government. As such, the result lacks credibility.

Also, the rate pegging increase applies to all local governments in NSW. It is uncertain how this increase can take into consideration each council's individual and special circumstances. The fact that local governments are different is partially acknowledged by the State Government with local governments categorised into one of the following 5 categories - Sydney City, metropolitan developed, regional town/city, fringe and rural - however this aspect is not considered in the determination. This can only be effectively undertaken at the local council level.

A glaring calculable flaw in rate pegging is the clear fact that the construction price index is arguably double the consumer price index, but the latter is something of a benchmark for rate pegging. In Lismore's case, around 25% of its annual budget is devoted to infrastructure maintenance and construction works. The result is that the true cost of essential works is moving rapidly away from Council's ability to at least maintain the status quo. This trend must cease.

In regards to the five options for alternative regulatory frameworks, it is noted that the Minister for Local Government favours the continuation of rate pegging and that only one of the options considers the removal of mandatory rate pegging. From Council's perspective, in the absence of new revenue sources, the current legislation is unreasonably restrictive and should be relaxed. To ensure the maximum benefit is achieved, the option to remove mandatory rate pegging is supported.

Thank you for the opportunity to comment on the Issue Paper and I look forward to the release of the draft report and assisting IPART in the review process.

Yours faithfully



Rino Santin
Manager - Finance