

sjm:A0310010

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18 August 2008

Dear James

REVIEW OF THE REVENUE FRAMEWORK FOR LOCAL GOVERNMENT

Thank you for the opportunity to comment on the Review of Revenue Framework for Local Government document that you recently produced.

This Council wishes to make the following comments.

Firstly, we wish to make the comments that this document is very city focused and does not capture some of the difficulties of living and providing essential services in rural New South Wales. There are many examples of this which include distances and cost of fuel, and having to provide services that a Sydney Council would not have to provide, such as doctors surgeries and accommodation, airports, saleyards, etc.

Recommendation:

That IPART takes a more flexible approach to the Revenue Framework for Local Government to take into account that rural communities have additional services that are required to be provided without a rating base able to cope with any increased requirements.

Local Government has been subject to a considerable amount of cost shifting over recent years. These are from services previously supplied by Government, but now are not deemed necessary, particularly in rural areas. These include (as limited examples):

- Community housing
- Postal services
- Government agency offices
- Aged and disabled services
- Tourism
- Childcare centres
- Rural Fire Services

A number of these services are demanded by our communities and they are prepared to pay for them. Government has simply walked away from providing a number of these services in rural areas. Coupled with that, if Councils do not supply such services then we will not see the growth in our communities that is taken for granted in city areas. In fact, some of the services that State Government has abandoned are essential to the

survival of any community in the 21st century. Sometimes a number of cost shifting services come with grant funding but the grant funding never covers the true cost of providing the service, and the community will still expect Council to provide the service, even if the grant funding is withdrawn.

Minimalistic Service

Your review document promotes the concept of a minimalistic council. This is simply not realistic because communities demand from Council a high level of service to fill the gaps left by State Government.

One of the options that should be considered as part of this review is to allow Councils to set up Council Owned Enterprises that could be commercially structured and have the option of undertaking private works for profit, thus reducing the liability on rates. The current State Government administration prohibits this.

Fiscal Responsibility

A framework for local government revenue raising should focus on the fact that each community has unique needs and expectations. Councils should be provided with the flexibility to set rates and charges at levels that will meet these community expectations.

At the end of the day, Councils will be held accountable for their fiscal responsibility at the election booth, as happens in other non-rate pegged Australian States. To support this, the qualifications and standards of elected representatives should be raised, and their remuneration should reflect this. Much like a board of directors for a company, the skills required of elected representatives should be commensurate with the responsibility of governing multi-million dollar organisations.

The emphasis of a revenue raising framework should be through extensive community engagement and consultation, and transparency of the revenue raising process.

Rate pegging

The purpose of rate pegging is to make Councils operate as efficiently as possible. However, this isn't necessarily the outcome achieved. Service levels are compromised and well below community expectations; infrastructure is not maintained to suitable standards; more user charges are introduced to create alternative revenue streams, which often result in pricing inequities.

Increases in the cost of inputs far outstrip any rate-pegging amount. Efficiencies of Councils and making the most out of each dollar is not achieved by rate-pegging, but rather by the implementation of robust performance management systems that draw attention to key indicators. Further, rate pegging diminishes the financial viability of Councils, which is often measured by the percentage of own-source revenue. As Councils become increasingly reliant on grant funding, the percentage of own source revenue drops. This is a very real issue for rural and remote Councils.

Rate pegging places too much emphasis on red tape compliance (eg notional returns, special rate variation applications) rather than community engagement/consultation. Special rate variation applications for rate pegging are incredibly costly and time consuming to put together, and the ongoing monitoring/compliance costs are high.

Rates

The current rate system is not particularly equitable, and unimproved capital value of land does not reflect the capacity to pay.

Pensioner Rebates

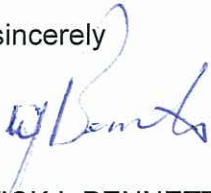
The State Government only reimburses 55% on rebates to Councils. It is unreasonable to expect Councils to foot the balance.

Setting Rates

This Council does not believe IPART should play any role in setting Council rates and charges. These are issues for local communities and do not require further interference from State Government.

Once again, thank you for the opportunity to comment on the Review of Revenue Framework for Local Government document. Should you require further clarification on the issues raised, please contact me on 02 6378 2850.

Yours sincerely



WARWICK L BENNETT
GENERAL MANAGER