

BW/AP

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**RICHMOND**

V A L L E Y

*Valley of Surprises!*

11 August 2008

The Chairman  
Review of the Revenue Framework  
for Local Government  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB POST OFFICE NSW 1230

email: [local\\_government@ipart.nsw.gov.au](mailto:local_government@ipart.nsw.gov.au)

Dear Sir

On behalf of Richmond Valley Council I provide the following comments in respect to the Revenue Framework for Local Government Issues Paper.

#### Rule of Local Government

It needs to be recognised that local government does play a significant role in provision of services and facilities to the community.

It is fair to say that historically local government had a role which centred around the basic infrastructure services of an area, i.e. roads, footpaths, parks, etc. As communities have grown and their expectations increased, Councils have had to respond in different ways. Those different ways have involved the expansion of the scope of services and facilities provided. In addition, the shift of responsibilities between levels of government have also involved changed responsibilities.

Due to those changes, the definition of the role of local government is no longer specific, with individual Councils endeavouring to meet the overall needs of their respective communities within available resources. Of course leadership abilities and skills of both staff and elected representatives impact on the scope of activities undertaken by Councils. As outlined in the Issues Paper, there is considerable variance between Council areas - particularly urban, high growth coastal and rural local government areas. Accordingly, all local government areas need to be viewed individually and any revenue framework needs to have flexibility to recognise that individuality.

#### Effectiveness of Ratepegging

History plays a part in both ratepegging and the need for Councils to increase rate income above ratepegging limits. In that regard, in the 1960-1970s ratepegging was a more accepted practice by local government. During those times many Councils were reluctant to even apply any increase in rates and the lesser community expectations did not require Councils to apply significant increases in rates.

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History has shown that the lack of rate increases during those times has come back to haunt Councils, i.e. if rate increases were not taken up, then the rate base of Councils currently are behind what they could be, comparative rate revenues are no longer consistent between Councils and the lack of future infrastructure planning is certainly starting to hit home. This also applies to State and Federal Government.

Accordingly, the issue should not be about ratepegging, it is more about whether individual Councils have sufficient revenue to undertake the roles required by the community.

This also leads to the need for effective and efficient operations. In that regard, like other business sectors, local government has had to wear increased governance and administration costs due to legislation, insurance, accountability, and other complexities of the current age. Again having to absorb such matters within a ratepegging framework (and other factors) has made current revenue bases for Councils very fragile and in my view not representative of what they should be.

On this basis, the objectives for a regulatory framework for local government revenues should be more about establishing in each case what the real needs are and how much revenue is required to achieve those real needs. However, given the expiration of time, and the inter-relationship with other tiers of government in regard to infrastructure, the revenue needs for local government cannot be realistically determined until there is some agreement/concurrence between Federal/State/Local Governments on funding for and maintenance responsibilities for infrastructure.

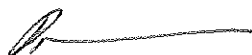
In reality, the current regulatory framework relating to ratepegging does not promote efficiencies or sustainability. Short term increases above the ratepegging can assist with meeting shorter term goals and increasing the rate base, however, the bigger and broader issue of infrastructure standards and sustainability is an issue that cannot be resolved within the scope of local government.

#### Accountability of Local Government

Department of Local Government reforms which are focussing on good governance, strategic/integrated planning, asset management and long term financial planning, are a significant step in capacity building for local government. A review of the local government revenue framework, to fit in with that progression, is timely. In that regard for Councils to be more accountable in a "fair" manner, it will be necessary for some flexibility and independence to be built into the revenue framework, i.e. Councils will need to be more responsible/accountable for the levels of revenue they raise. At the same time, it would be appropriate for IPART (or the like) to have a role in monitoring the justification of such decisions.

Council appreciates the opportunity to be able to make this submission on the Revenue Framework for Local Government.

Yours faithfully



Brian Wilkinson  
**GENERAL MANAGER**