



City Administrative Centre

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YOUR REF:

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Review of the Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Attention: James Cox – Chief Executive Officer

Dear James

Review of the Revenue Framework for Local Government - Issues Paper

Thank you for giving Council the opportunity to comment on the issues paper released by IPART on this very important issue. It is noted from the terms of reference that the review is to “examine among other things an appropriate intergovernmental and regulatory framework for the setting of rates that facilitates the effective and efficient provision of local government services in NSW & the role of IPART in setting of local government rates & charges in future years”.

The level of Rates & Charges in NSW has been controlled by the State Government since the 1970’s, and there have been a number of inquiries & reports that have indicated that Council’s in NSW are facing a major shortfall in funding to address the declining condition of infrastructure owned by local government. The fact that Council’s major revenue streams have been restricted by State Government control have not assisted in addressing this funding deficit, however it is acknowledged that a range of other funding options will be required if Local Councils are to adequately bridge this financing gap.

The future of rate-pegging

It is noted that not all State Governments in Australia have instituted a system of pegging local government rating revenue. In NSW, Local Councils have the ability to apply to the Minister for Local Government to increase the level of rate revenue annually through applying for a Special Variation. Local Councils must go through an exhaustive process to achieve the Minister’s concurrence, and it is noted that these applications are not always successful.

It is submitted that Local Council’s through the process of preparing their Annual Management Plan actively engage with the community, and any proposal for an increase in rates would be fully disclosed and debated with the community as part of this process. To then put another step into the process by having an application being prepared to the Minister for Local Government, and awaiting the decision of the

Minister is seen as being additional administration, and taking the decision making process away from the Councillors elected by the community to manage their local affairs.

Council supports the abolition of rate-pegging in NSW, and sees the role of Local Councillors, elected by the community, as being able to determine the level of resources required to manage their Local Council.

The role of IPART

Council believes that IPART can become involved in a regular examination of the methods used by Councils throughout NSW to set their levels of rating revenue, and to advise the NSW Government on any issues where the Local Government Act needs to be amended so as to ensure that Local Councils follow strict guidelines in engaging their community, and providing long term financial forecasts that demonstrate the need for any rate increase above the level of the Consumer Price Index. Having IPART involved in a role where it is required to set the level of rate-pegging is not supported by Council, as it is very similar to the current system where the Minister for Local Government sets the level of rate-pegging, and any variation to this level must be supported by an application to a third party (in this case IPART).

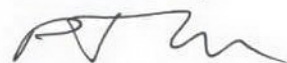
The role and responsibilities of Local Government in NSW

This issue has once again been discussed at length previously, and the problem for Local Councils has been the concept of "cost-shifting", where the function is expected to be carried out by Local Council's, however the revenue to finance the provision of the service is not provided. Analysis undertaken by the Local Government & Shires Association has revealed that cost-shifting by State & Federal Governments cost Local Government \$410 million in 2006/07, and this is a major issue for Local Councils struggling to provide the finance necessary to maintain its ageing infrastructure.

This Council believes that the role & responsibility of Local Government in NSW is to provide services & infrastructure to local communities within the bounds of services that they are funded to provide. Local Council's becoming involved in the provision of services such as running Child Care Centres is a good example of where the local community are financing the provision of a service that have traditionally been funded by State & Federal Governments. The shifting of responsibility for the provision of services from one level of government to another should be accommodated through the equal transfer of funding to enable the service to be effectively provided.

Thank you for the opportunity to make a submission on this issue and if you require any further information please contact Council Director of Finance & Corporate Services Mr Peter Dun on 44293333.

Yours faithfully



Peter Dun
Director Finance & Corporate Services