TWEED SHIRE COUNCIL

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29 August 2008

Mr James Cox
Chief Executive Officer
Independent Pricing & Regulatory Tribunal of NSW
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Cox

Review of the Revenue Framework for Local Government - Submission from Tweed Shire Council

Background

Tweed Shire covers 1303 square kilometres and adjoins the NSW shires of Byron, Lismore and Kyogle, with the NSW/Queensland border to its north where it divides the twin towns of Tweed Heads and Coolangatta.

With 37 kilometres of natural coastline, wetlands and estuarine forests, lush pastoral and farm land, the entire basin of the Tweed River, and mountainous regions containing three world-heritage listed national parks, Tweed boasts a unique and diverse environment for its 83,000 residents.

The retail, hospitality, agricultural and tourism industries are major employers, while construction, fishing, and light industry are other significant contributors to the local economy.

Submission

Tweed Shire Council appreciates the opportunity to make a submission to the Review of the Revenue Framework for Local Government.

The responses are limited to the areas of greatest concern for Council and do not specifically address all questions asked by the Review document.

Rate-pegging Effectiveness

Rate pegging legislation is effective in protecting ratepayers from large increases in their rate bills. This is of importance, particularly in areas of poor socio-economic conditions, but is most properly the role of the elected Local Government of the area.

> *"The Local Government Act was intended to provide more local autonomy and flexibility, by being less prescriptive about councils' role and functions, while introducing greater public accountability and stricter regulation for corporate planning and reporting."*

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With the intent of the new Local Government Act to provide more local autonomy, rate pegging legislation appears inconsistent with this philosophy.

The State Government may maintain rate-pegging to encourage councils to meet increasing community expectations with the same resources. Whilst this may have been relevant at the inception of rate pegging legislation approximately 30 years ago, most efficiency gains to be made have been met and it is difficult for councils to continue to meet the increase costs and service level obligations with a fixed income stream which is not keeping pace with other inflationary pressures.

Current Processes

Rate-pegging does not adequately address the revenues needed by Local Government to fund more and more services expected from both the local community and State Government.

In recent years the responsibilities and services transferred to Local Government without adequate revenue/compensation from the State Government is increasing pressures on Council budgets that are already inadequate. Coupled with this the withdrawal of State Government services in areas such as EPA and CMA officers, requiring more resources by Council, has left little option but to under fund its responsibilities.

This unfortunately has been aimed historically at infrastructure as the point of least resistance for elected members. However, in recent times the focus of the industry has clearly been on the infrastructure renewals gap. Whilst much work needs to be done to get an accurate consistent methodology to determine the amount, there is no denying that Local Government will not be in a position to fund the shortfall by its own resources alone.

Several sources have queried the lack of debt financing used by Local Government. As the philosophy of debt financing is to provide intergenerational equity, it also has the negative impact of reducing funds available for operational purposes. If the push for more debt financing is premised by intergenerational equity, the lack of realistic rate pegging increases counters this argument by deferring proper infrastructure funding to future generations.

There is certainly a need for financial assistance or a share of taxation revenue from other tiers of government to cover the revenue to expenditure imbalance. The councils with high population density to local government area appear to be more financially sustainable. I.e., Sydney City verse Walgett. If there were to be any future government appropriations in this regard, areas with high disability factors, as used in Financial Assistance Grant calculations, should be considered.

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It is also true, given Local Government's autonomy, different councils provide different services and levels of service. In this regard it is difficult to accept that one single rate pegging amount will serve the purposes of differing and divergent communities. Perhaps IPART should not accept that one percentage fits all. A percentage calculation based on Council classification as used by the DLG may be worth pursuing.

Summary

The terms of reference to IPART are limited. It would appear that the existing framework is likely to continue with perhaps more transparency in the calculation methodology.

The real issue amongst the three tiers of Australian Government is the revenue raising abilities and their respective responsibilities. The vertical fiscal imbalance needs to be addressed if the infrastructure and services of our communities are to be sustainable.

Yours faithfully

Mike Rayner
GENERAL MANAGER