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Ref: OUT-4896/08

6 August, 2008

Dr Michael Keating, AC
Chairman
Independent Pricing and Regulatory Tribunal
P O Box Q290
QVB Post Office NSW 1230

Dear Dr Keating

Review of the Revenue Framework for Local Government

Reference is made to the Other Industries – Issues Paper (July 2008).

The Issues Paper was received by Council on 30 July 2008. As Council meets on the fourth Monday of each month, the Paper was only able to be considered by Council on 25 August.

Term of Reference 1: An appropriate inter-governmental and regulatory framework for the setting of rates and charges that facilitates the effective and efficient provision of local government services in NSW.

Council strongly objects to the current system of rate pegging.

IPART notes:

- (p 1) “that the NSW Government has a long-standing commitment to rate pegging, largely because the approach imposes fiscal discipline on councils;
- (p 64) that “the Minister for Local Government favours the continuing of rate pegging”; and,
- (pp 52 – 53) that NSW is the only Australian state/territory which has rate pegging.

It is apparent that the other states/territories believe that local government fiscal discipline can be achieved through democratic processes at the local level, and that NSW is out of step.

IPART presents 4 arguments for rate pegging (p 55). The arguments do not withstand scrutiny as:

- Ratepayers use both democratic processes and their ability to report maladministration, to make councils accountable; and,
- The Department of Local Government has strong powers to investigate and dismiss councils for aberrant behaviours and activities.

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The Issues Paper (p 56) notes "... user charges as a proportion of local government revenue have remained relatively constant over recent years, which suggests that rate pegging is not causing councils overall to increase or introduce new user charges". The un-stated conclusion is that local government, as a responsible corporate citizen, imposes its own fiscal discipline and does not seek to port the local community with unreasonable new charges.

Of the alternative regulatory frameworks (pp 63 – 64), Council prefers IPART's option 5 for the removal of mandatory rate pegging and enhanced accountability to the local community. This option best meets the assessment criteria detailed in the section 1.4 and allows the local community to determine the level of service it is willing to pay for.

Term of Reference 2: A role for IPART in setting of local government rates and charges in future years.

If there is to be any cap on increases in rates and charges, then Council believes that IPART should have a recommendatory role, rather than a determinative role. It would be more efficient for this role to involve a standing direction, through legislation or regulation, rather than an annual reference from the Minister for Local Government.

Yours faithfully

Daryl Dutton
GENERAL MANAGER

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