



**WYONG SHIRE
COUNCIL**

building a better tomorrow!



Wyong Shire Council ABN 47 054 613 735
DX 7306, PO Box 20, Wyong NSW Australia 2259
Phone: (02) 4350 5555 Fax: (02) 4351 2098
Email: wsc@wyong.nsw.gov.au
Web: www.wyongsc.nsw.gov.au

F2004/06782
D0120781
29 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
SYDNEY NSW 2000

Email: local_government@ipart.nsw.gov.au

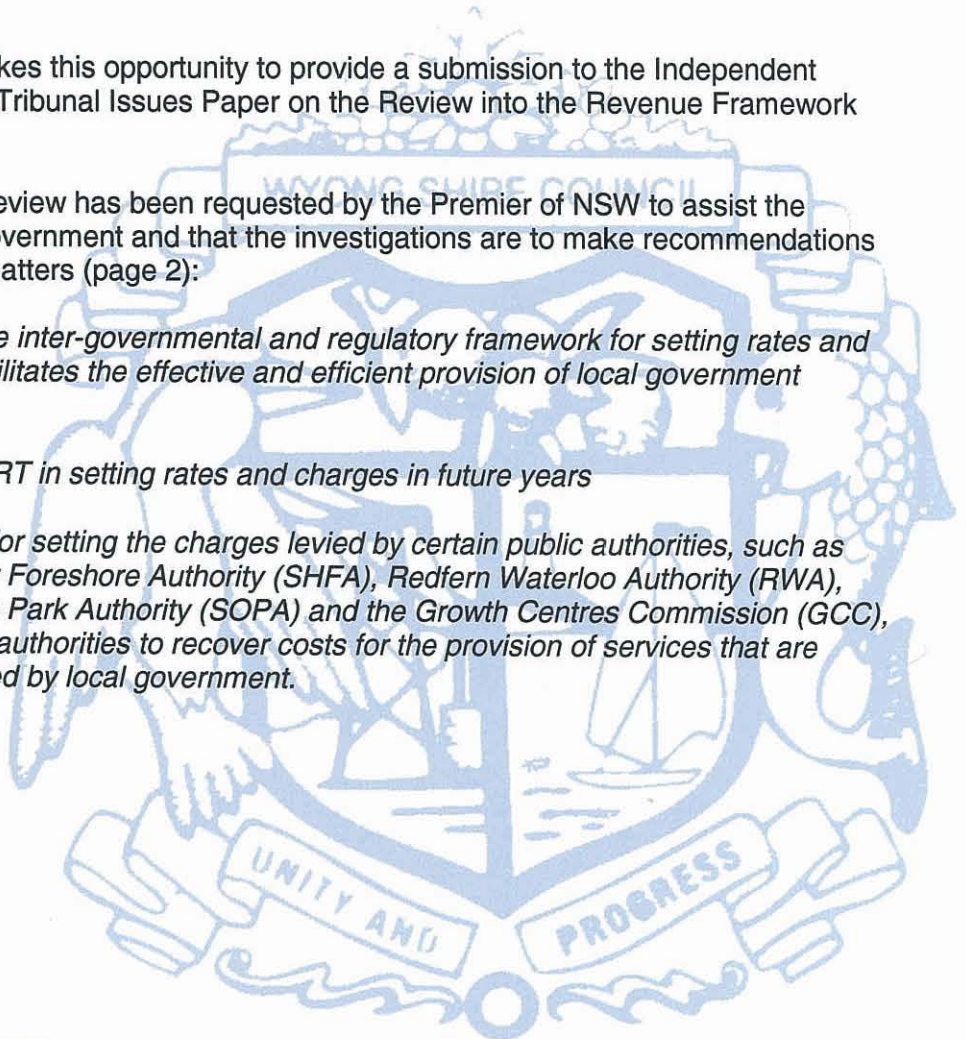
Dear Sir / Madam

**Wyong Shire Council Submission
IPART - Review of the Revenue Framework for Local Government – Issues Paper
August 2008**

Wyong Shire Council takes this opportunity to provide a submission to the Independent Pricing and Regulatory Tribunal Issues Paper on the Review into the Revenue Framework for Local Government.

Council notes that the review has been requested by the Premier of NSW to assist the Department of Local Government and that the investigations are to make recommendations on the following three matters (page 2):

- 1. an appropriate inter-governmental and regulatory framework for setting rates and charges that facilitates the effective and efficient provision of local government services*
- 2. a role for IPART in setting rates and charges in future years*
- 3. a framework for setting the charges levied by certain public authorities, such as Sydney Harbour Foreshore Authority (SHFA), Redfern Waterloo Authority (RWA), Sydney Olympic Park Authority (SOPA) and the Growth Centres Commission (GCC), to enable these authorities to recover costs for the provision of services that are normally provided by local government.*



Council's submission attached is limited to responding to matters relating to items 1 and 2 above as it is not an authority under item 3.

Thank you for the opportunity to provide a submission on what is a fundamental issue to ensuring the long term sustainability of Local Government enabling Council to meet the ongoing needs of the community.

Yours faithfully

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Greg Ashe
Acting Director
Corporate Services

ATTACHMENT 1

Wyong Shire Council Submission

IPART - Review of the Revenue Framework for Local Government – Issues Paper August 2008

The following comments are provided in response to the Issues paper:

1.1 Terms of reference for the review

Council notes that the Terms of Reference specify that “... *IPART is not required to consider issues related to the valuation of individual properties, or matters associated with the operation of councils’ water and wastewater businesses*” (page 3), therefore Council advises its submission excludes these businesses.

However, Council would make comment that to review the issue of the Revenue Framework for Local Government it fails to properly consider the basis upon which property rates are determined and assumes this basis meets the standard principles of good regulation and taxation principles – efficiency, equity, simplicity, transparency.

Additionally, that restricting the terms of references in regards to the recently introduced changes to the Environmental Planning and Assessment Act 1979 (EP&A Act) on the treatment of Section 94 and Section 94A Developer Contributions and limiting IPART’s ability to review or make recommendations that “...*impinge on the changes to the EP&A Act*” (page 3) may constrain the usefulness and completeness of IPART’s review in fully addressing the Revenue Framework of Local Government, given the significance of Developer Contributions to Council’s provision of infrastructure. Additionally, should restrictions on Council’s ability to determine and levy Section 94 Developer Contributions be exercised, this has potential to impact on Council’s financial ability to complete required community infrastructure.

This matter is very relevant to a Council such as Wyong Shire Council where significant growth is planned over the next twenty years (expected increase of 71,000 residents by 2031).

Summary: That IPART consider the appropriateness of the restrictions of the terms of reference to ensure that the ability of IPART to make Recommendations under item 1 is not compromised.

1.2 Review process and expected timing

Wyong Shire Council would be pleased to participate and or host any regional meetings held with Councils or key stakeholders as required, and to participate in any special research and analysis projects / workshops which allow IPART to better understand the financial pressures and impacts on Council.

Summary: That Wyong Shire Council be included in the public and stakeholder consultation process and research analysis.

1.3 Scope of this review

The Minister has sought a Recommendation on the “... framework for setting rates and charges” (page 3). Currently, the regulation of Local Government Income for Rates and Charges is only for Rates being a tax on property and Annual charges for Council’s services and are also levied against the land, or where a charge is set by legislation.

Fees and User Charges are currently not regulated in terms of pricing and Council does not consider that any additional regulation is required given that Council's Management Planning process includes development of the annual Fees and Charges which is reported to Council and provides the opportunity for public submissions. During this process significant fees or changes are discussed and agreed with Council. Given this scrutiny and the number of fees involved (eg from photocopying, pool entry etc) it is hard to see the materiality of these income streams and in what value any further regulation would provide. Particularly given that a number of Council's fees are set either by legislation, or principles of competitive neutrality, or based on community benefit.

Additionally, given the diversity of different Council's services to their community, and the fundamental different organisational cost structures due to geographic and social / economic differences between local government areas, it is difficult to see how "one regulatory size fits all approach" could be applied without significant compliance and regulatory costs. This should be considered carefully on a cost / benefit basis given the range and volume of possible user fees in place against the framework that already exists at a local council level. This flexibility in recognising community benefits in fees is an important part of the fee setting process and also allows Council the opportunity to review the types and relevance of services being provided against community expectations.

It would also appear to be individually insignificant compared to the income Council receives from Developer Contributions which have been placed Outside Scope.

Summary: That the scope of this review be limited to the regulatory framework for Rates and Annual Charges only.

1.5 Overview of issues on which IPART seeks comment

1. What is the role of local government and how is it determined?

2. How effective is rate pegging and what are the implications for Councils and ratepayers?

Rate pegging in its current form uses an average of the CPI and the index of Average Weekly Ordinary Time Earnings (AWOTE), however the Local Government Association of NSW and the Shires Association of NSW found that "alone these indices do not appear to reflect the changing structure of Council costs and when considered jointly have not moved consistently with movements in local government expenses". In order to better reflect the real increase in Council expenses the National Institute of Economic and Industry Research (NIEIR) developed a Local Government Rate Determination Model using a composite of published indices. The Institute found that over the period 1996/97 to 2000/01 the CPI increased by 11.3%; rate pegging limits increased by 16.4% and the newly NIEIR-created Local Government Rate Determination Model increased by 24.3%.

For information the Wyong Shire Council's 2008/09 Management Plan Council increased rates by the maximum rate pegging amount of 3.2% as determined by the Minister for Local Government, against budgeted increases in Salaries and Wages of 3.95% and CPI 3.5%. Of special note is the impact on Council's budgeted operations of fuel and energy prices in recent times. Note, that the CPI only applies to about 15% of Council's expenditure, with the remainder related to employee Costs, roads and bridges construction and non-residential construction.

The implications for rate payers are the possibility of changes to service levels or the possibility of special rate variations in the future if Council were required to continue to add to services without corresponding increases in other sources of income.

3. What are the objectives for a regulatory framework for local government revenues?

The current regulatory framework under the Local Government Act (1993) and regulations with regard to Management Plans and the community consultation process and subsequent reporting accountability ensures Council is accountable to its constituents. As such the current "rate pegging" regulation by the Minister is a hindrance to Council's ability to respond to Community's emerging issues. Ie, the Special Variation process is a very long and expensive process.

Ideally, the regulatory framework should be at a local level with responsibility locally, with independent review of Council's performance by the Department of Local Government.

4. How does the current regulatory framework for council revenue, or any alternative framework:

- **Promote the effective and efficient provision of services?**
- **Enhance the financial sustainability of local government?**
- **Meet the standard of principles for good regulation and taxation – efficiency, equity, simplicity, transparency?**
- **Enhance the accountability of local government?**

Refer Issue 3.

5. What Role should IPART play in setting local government rates and charges, including charges for non-business activities?

A possible role exists for IPART in determining local government rates and charges should a regulatory framework on Property Rates and Annual Charges be required at all.

The independence of IPART would allow for a determination of an increase based on transparent principles independently of political pressure. This would be particularly relevant in ensuring that the "allowable increases" were in-line with inflation and relevant local governments industry price indices, and took full account of cost shifting from other levels of government.

In the past rate pegging has not maintained pace with the local government price index which overtime has resulted in efficiencies and changes in service levels to correspond to available funds, however this is leading to issues of future financial sustainability if this process continues. The number of special rate increases applied for and granted by the Minister in recent years demonstrates the impact of long term rate pegging on Councils.

Wyong Shire Council as a water authority has had a successful long term relationship with IPART and the regulation of pricing for each water and sewer charge. If IPART were to be part of the regulatory process Council would anticipate that this would equally satisfactory.

6. Should IPART have a determinative role provided by legislation or should IPART's role be limited to making recommendations, if and when requested by the Minister?

If IPART were to have a determinative role, then this role should be identified in legislation and be a documented transparent process so as to eliminate the political issues and pressures on determining realistic and appropriate increases.

Ideally, IPART's role should purely be review and the determinative role should be by each Council. This is because of the large number of diverse local governments and the diversity of each community, the services and infrastructure required and the individual community

service levels. This is not a one size fits all industry and each Council needs the ability to respond to community concerns.

From Wyong Shire Council's perspective being a community with a lower socio-economic demographic than some other local government areas, fiscal tightness is a major concern of Council. However, this is also challenged by being a growth area (The Central Coast Regional Strategy released by the NSW Department of Planning in July 2008 has allowed for an additional 71,000 residents by 2031). Of importance to Council is not just access to Revenue for provision of on-going services, but also the expansion of new areas, and the renewal of existing areas to meet changing community expectations. As such Council would recommend greater revenue sharing between the levels of government and a review of the allocation to Local Government and the current level of reliance on Rates and Annual Charges.

7. To what extent do government authorities – such as SHFA, SOA, RWA and the GCC's – provide services that duplicate or overlap with those of local government?

Not applicable to Wyong Shire Council

8. What are the implications for local government rates where these authorities provide services normally provided by local government?

Not applicable to Wyong Shire Council

9. Should a common regulatory framework be introduced for these authorities?

Not applicable to Wyong Shire Council

E Issues (10 to 75)

Council limits its response to the remaining issues as follows:

10. Is the Department of Local Government modification of the Australian Classification of Local Government Councils (ACLG) a suitable framework within which to consider the differences between Councils?

This is a reasonable approach to classification, however any comparatives still have to be interpreted based on more detailed analysis, and special care should be taken if a framework is used to determine grant funding allocations or impacts on a specific Council's revenue raising capabilities.

22. What scope is there for Councils to make greater use of user charges?

Council reviews the fees and user charges annually and actively looks for opportunities to charge for services where-ever possible, however this is balanced against the Council's community expectations of services. This review includes peer reviews and comparisons between councils of different types of fees and where appropriate competitive neutrality.

All user charges require administration and as such it can be difficult to justify small fees against the costs. Council utilises fees and user charges to the best of its ability but this is balanced against the community's ability to pay and equitable provision of services.

Currently, there are no identified material opportunities to increase fees which would result in a significant revenue gain.

27. Are there any other significant factors affecting financial performance of local government?

“Cost Shifting” by other levels of government, being the shifting of responsibility from State Government to Local Government with no permanent matching corresponding transfer of funding.

Special consideration should also be given to the findings of the concurrent IPART “Review of State Taxation”. Refer Wyong Shire Council’s separate submission on the Draft Report June 2008. This Draft report included a number of recommendations which impacted directly on the cost base of local governments and assumed the ability of local government to fund these costs by increased rates. The magnitude of the cost impacts were significant if such proposals came into being, and represented a significant shifting of the taxation burden.

Expanded administrative responsibilities requiring high level skills and an on-going increase in Council’s administrative overheads, for example costs of advanced planning in Integrated Asset Management, Long Term Strategic Plans, Climate Change Action Plans, OH&S.

Governance – increased focus on training of Councillors and staff in good governance and maintaining an internal audit section, significant OH&S management, increasing environmental management requirements under the EPA.

Increasing community expectations of standards of service and of community facilities. This includes a greater emphasis on OH&S responsibility for standards of community facilities. Eg Increased Surf-Life Saving Patrols for community safety; and development and maintenance of Asbestos Register and possible future management issues.

Increasing requirements to obtain legal advice on a range of matters primarily due to increased litigation in society, and particularly in Council’s role as a planning authority.

The current changes to the EPA Act Section 94 Contributions, with the possible impacts if the Minister exercises the right to limit contributions. This would mean that the infrastructure would not be provided or alternatively have to be funded by increased rates. Additionally, there are significant costs involved in funding major town centres and new industrial areas up-front prior to the levying and receipt of the Developer Contributions. Previously, this was a function which was shared more equally between all levels of government however now the “total cost” ends up being a cost borne by all rate payers of the shire, either thru land prices or increases in rates and charges.

Need to upgrade existing community facilities to modern standards, especially as the community in the established (older built) sections of the Shire directly compare the “new” facilities against these older facilities and the difference in service standard. Eg 1950’s pool against regional aquatic centre.

Skills shortages in key Local Government expertise (especially engineering) are significantly impacting on labour costs and costs associated with out-sourcing activities, with flow-on to reduced levels of service.

36. Should councils be able to achieve a permanent increase in revenue by applying for a special variation?

Yes, if the existing “rate pegging” framework remains it is essential that the basis for variations be reviewed and that permanent variations be possible. As prudent financial managers it is impossible for Council to operate on the basis of committing to future levels of expenditure when the ability to raise the revenues is not guaranteed. It should be noted that any special variation is still subject to the Council’s approval processes with the Management Plan resulting in the necessary accountability to its constituents.

