



**TWEED
SHIRE
COUNCIL**

Please Quote Council Ref: **Council Management**

Your Ref No:

For Enquiries Please Contact: **Mr Troy Green**

Telephone Direct **(02) 6670 2414**

14 September 2009



Review of Regulatory Framework of Local Government - Draft Report
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Sir

Review of Regulatory Framework of Local Government - Draft Report

Thank you for the opportunity to make a submission to the Draft Report on the Review of Regulatory Framework of Local Government.

The concept of the proposed option A and B put forward by IPART is supported with the following comments/amendments:

Framework - Option A

Option A appears much the same as the current system excepting the introduction of the cost index.

Council fully supports the independent calculation of these costs as it provides a more transparent process and has the ability to depoliticise the outcomes of the current arrangements.

Framework - Option B

As indicated in the transcript from the Coffs Harbour workshop on 18 August 2009, Option B has a very high financial criteria for councils to comply with before an application can be made. As a result the councils with the most need to increase their rates to become financial sustainability will need to do this through Option A, perhaps for many years, before Option B becomes a viable option.

The area of greatest concern for Council under Option B relates to the level of community support required (p178) for a successful application.

By nature, most people are not willing to put up their hand to pay out more money. Even more so when Local Government provides such a wide range of assets and services that not all residents benefit from.

Tweed Shire Council applied 4 years ago and was successful in gaining Ministerial approval for a 7 year rate increase under s508(A) of the Local Government Act. Included in this process was a substantial community survey. Of roughly 36,000 assessments Council received 2,465 responses or 6.84%. Of these 992 (40.24%) were positive, 969 (39.31%) negative and 504 (20.45%) undecided.

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CIVIC AND CULTURAL CENTRE, MURWILLUMBAH
PO BOX 816, MURWILLUMBAH NSW 2484
TELEPHONE: (02) 6670 2400 FAX: (02) 6670 2429

PLEASE ADDRESS ALL COMMUNICATIONS TO THE GENERAL MANAGER
ABN 90 178 732 496
www.tweed.nsw.gov.au

Under the proposal put forward by IPART, Council would need 9,000 to 10,800 responses with 4,500 to 5,400 being positive. When this is compared with the outcome of Council survey above it is evident that the surveys do not garner the number of responses proposed. Does this automatically result in the application being unsuccessful?

The other option for community feedback, the voting option, is also problematic. Whilst political parties tend to operate and have election platforms within the metropolitan environment, most rural/country councils tend to have independent candidates. It would therefore be an extremely tenuous argument that any particular elected Council with 7 to 9 elected independent Councillors all with different platforms would have 7 to 9 mandates for increasing rates.

Financial Sustainability

There are opposing views to the financial sustainability of Local Government in NSW. Whilst IPART would argue councils are financially sustainable, Professor Percy Allen and Fiscal Star argue they are not.

Local Government within NSW is currently undertaking revaluation of its assets, until the completion of this task, along with Council's adopting a more realistic approach to depreciation and asset management in general this question cannot be properly discussed.

If NSW Local Government is found to be financially unsustainable after the above process is complete, it does give cause for a potential Option C within the framework. Ratepayers/residents are only exposed to the assets they use, ie. the roads they drive every day, waste services, flooding/drainage etc., they generally do not have an appreciation for the condition of assets that they don't use, ie. roads elsewhere in the shire, flood prone areas, community buildings, etc. As a result it is highly unlikely that a community survey would gain a positive result for rate increases to fund these assets.

Consistent definitions and application of asset management philosophies and accounting could result in a process whereby Council gains approval from the Minister for Local Government for an asset management rate increase without the need for community consultation. This could have annual upper limits of 3 - 4% until such time asset management and financial sustainability are at acceptable levels.

In conclusion, I would like to place on record Council's appreciation for the consultation undertaken by IPART during this process.

Yours faithfully,



Troy Green

Director Technology & Corporate Services