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Paul Hickey
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Rates - General



7 September 2009

Review of Regulatory Framework of Local Government – Draft Report
Independent Pricing and Regulatory Tribunal
PO Box Q290
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Dear Sir

Re: Submission - Draft Report - Revenue Framework for Local Government

Please find detailed below Council's submission to the above report.

Option A

Methodology

Council supports the concept of increased transparency and the publishing of a cost index in the determination of the NSW State Government rate increase each year.

However, Council does not support the Minister determining that rate increase. This appears to be inconsistent with the entire process in that IPART determines the cost index and then the Minister has the opportunity to amend that decision.

Unfortunately, this leaves the final decision open to political considerations. Even though the Minister has to provide reasons for not applying the IPART index, the fact that this option is included appears contradictory to the entire thrust of the proposed amendments i.e. increased transparency and a stronger nexus between rate and cost increases.

Personally, having observed Ministers for Local Government for a period of over 30 years, certain Ministers understand the cost pressures facing councils whereas others appear to have stronger political considerations. Therefore the removal of the Minister would allay such concerns.

Council is also supportive of the multi-year revenue paths, along with the retention of the ability to apply for one-off variations, in exceptional circumstances. Greater clarification of "exceptional circumstances" would be of assistance.

Possible Assessment Criteria

Council supports significant community consultation in this process although there are concerns that evidence of community support is included in the criteria. There is often little demonstrated community support for increases above the standard rate pegging limit therefore the final weighting provided to community support in the assessment process would be of interest.

Option B

Council again supports this proposal although the same concerns expressed in respect to Option A remain for this option.

Implementation of Standard Benchmark

One issue that Council would like IPART to consider before finalising this report is a form of standard weighting or benchmarking for the current rate income for a council. One concern with both methodologies is that no matter what your current level of rate income is, you are still grouped with all councils.

For example, the average rates levied for Ballina Shire and our immediate neighbours of Lismore, Tweed and Byron, as published by the Department of Local Government in the comparative date report for 2007/08, were as follows:

Council	Residential	Farmland	Business	Total Average
Ballina	598	940	1,287	669
Byron	783	1,221	2,385	930
Lismore	865	1,737	3,238	1,122
Tweed	786	1,228	1,896	854
Category Four *	719	1,311	2,727	Not available

* Category four councils as per the Department of Local Government's assessment criteria.

What these figures demonstrate is that Ballina Shire Council is well below the average figure levied for similar councils. The concern that Ballina Council has is that we have to go through a stringent process similar to other councils when in fact any increases proposed will still leave our council well below those councils.

Therefore we have previously proposed as part of the Professor Percy Allen Inquiry into the Financial Sustainability of Local Government, that where a council is below a standard revenue benchmark for similar councils they may well have increased autonomy in reaching that benchmark.

Without the use of this benchmark you effectively have the situation where low rating councils are trying to provide similar services to councils that have far higher rate income levels. It is effectively the same as asking a private business to compete against another business that pays a lower level of company tax.

The use of rate pegging over 30 years has meant that councils who had low average rates at the time rate pegging was introduced are now suffering significantly, as compared to those who have been able to receive compound increases on what was a high starting point.

It is recognised that there could be debate as to what is a reasonable benchmark for comparative councils although the Department of Local Government has substantial rating and financial information available and a benchmark should be able to be developed. The current system where, for example, Lismore City Council has to go through the same process for, a say 3% increase in rate income, yet this income will result in almost twice the level of income that Ballina would receive due to Lismore's existing higher rate base appears to be inequitable.

Council would support an amendment to particularly Option A, where a council that was below an agreed benchmark was incrementally able to approve increases above the agreed rate pegging limit, over a period of time, to reach, at least, that benchmark figure.

I hope our submission is of interest and Council looks forward to the final report being published and the recommendations implemented.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Hickey', with a long horizontal flourish extending to the right.

Paul Hickey
General Manager