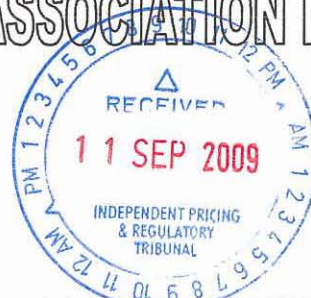


BANORA POINT & DISTRICT RESIDENTS ASSOCIATION Inc.



President: John Sweeney 5524 5282 Secretary: Pat Tate 5524 2957 Treasurer: Warren Shardlow 5523 1357
Vice President: Rod Bates 5524 2761 Vice President: Bill Pinkstone 5524 5217 Mobile: 0432 333 653
Correspondence: The Secretary, P.O. Box 936, Banora Point, NSW 2486
Website: www.banora.webs.com

Wednesday, 9 September 2009

Independent Pricing and Regulatory Tribunal,
P.O. Box Q290,
QVB Post Office, NSW 1230

Dear Sirs,

As a result of correspondence received from the Tweed Shire Council, our association wish to make a submission to the review of the revenue framework for local government.

Our association represents a large population in the Tweed area who are concerned with local issues involving Local Government as well as State and Federal issues, and meet on a monthly basis.

Attached is our submission made on behalf of our members which was ratified by them at our meeting on the 7/9/2009.

Yours sincerely,

Mrs.) PAT TATE
Secretary

Attch.

Independent Pricing and Regulatory Tribunal of NSW 2009

Revenue Framework for Local Government

Submission to I.P.A.R.T. on behalf of the Banora Point and District Residents Association Inc.

It is very difficult to separate the very best intentions of Councils, from the power building, finance draining, bureaucracies that are appearing within the various divisions at the upper staff levels of most Councils.

Councils argue that rate pegging lacks transparency and does not reflect movement in Council costs.

Tweed Shire Council appears to be a classic example of why Councils should not be allowed to individually set massive rate rises without further guidelines and constraints being put into place.

The Tweed Shire Council has applied for and obtained between 4% and 6% above the NSW State Government pegged recommendation in rate rises, over a period of 7 years. This will equate to a 70%--80% compounded increase in rate revenue over the 7-year period ending in the 2012/2013 year. The ratepayers consider that the period length is excessive and is open to lack of transparency and accountability.

The extra revenue raised was to be spent on extra-ordinary items, which would not be able to be completed in the short term. This money does not appear to be being directed at some of the items, which were put forward to the community as essential to the betterment of the residents.

Some of the money has been spent on employing further middle management personnel; some of the money is being spent on social services, which are duplicated, by State and Federal agencies. There is a case here of lack of transparency due to the withholding of full disclosure of what is happening to the extra revenue raised.

The IPART document states the uses that extra revenue may be put to. There is nothing in the Section 508 special variations that mentions money being spent on drug programs, youth programs or employment of additional staff.

Items mentioned are, sustainable resource and waste management, pollution control and environmental and health protection, as well as other capital expenditure items. The ratepayers see these as essential items. On the other hand there is the increasing tendency of Council becoming responsible for fringe issues of social order, even a grant to some area in Kenya for water improvement. What started, as an internal staff fundraising effort has now become a Council funded item of \$15,000 annually.

We sympathise with the people in Kenya but we do not believe that the people of the Tweed Shire sanctioned this expenditure or that it is part of the Councils charter.

These items are mentioned in an endeavour to show that transparency does not sometimes exist and control does not ever extend to the ratepayer. There are currently no mechanisms in place for a review by the community of applications for increased revenue creation by the Council, over an extended period of years.

We agree with IPART Finding No 10 in this matter:

10 The special variations process could be made more transparent if applications for special variations were publicly available on the Department's website

Total revenue per capita, of councils in NSW, has grown more than the NSW Gross State Product over the 30 years 1976/77---2006/07.

This is the period of rate pegging in NSW and shows the NSW State Government has possibly been too generous in it's allowances over and above the pegged rate amount.

What would have been the outcome if Councils were permitted to charge as they wished?

The rate capping has enabled Councils in NSW to generate surpluses with less debt than other States. The question is then posed, has this allowed Councils to branch out into endeavours, which are beyond their original charter of roads, rubbish, water, property, and sewer management?

The Options

Two options are proposed, Option A and Option B.

Option A contains a system, which is similar to that which is currently in place in Tweed Shire. The problem, which faces the ratepayer is, what would be done with the extra money raised. Council staff would have no problem in spending the money, but would they spend it to make a better community. In some cases one only has to look at the expensive and high maintenance structures called Council Chambers to see how revenue can easily be mis-spent.

Accountability of extra funding is a non-negotiable item if transparency is to be achieved.

In Option B the proposal is to have more independence in pricing structures of rates.

When a Council is elected, it would appear that in this option, Council would look at and prepare a four-year list of requirements, with a consequent revenue stream.

One of the failings of this is that there is no allowance for extraordinary items such as weather related damage, which may not be covered by a State declaration.

It is noted one of the requirements for earning this independence in price structuring would be a community mandate through a vote or by demonstrating to the Minister that they have a mandate from the community to allow the Councils medium term revenue plan.

Let us assure you that in the model, which exists in the Tweed Shire, this mandate was never given. Opposition was very clear and very vocal, but the Council Administrators at the time, went ahead, against the wishes of the majority of ratepayers, with the current 7 Year Plan. This plan has Ministerial approval for its full term. It does not make provision for hardship due to economic downturn.

Would provision for events such as, hardship due to economic factors or climatic incidents (e.g. droughts or floods) be included in any four-year plan?

Accountability

We agree with IPART Findings No 14 & 15 in this matter

14 Councils' accountability to their local community could be strengthened through stronger community input to decision making. To this end, they should be encouraged to enhance their community engagement so it moves (at a minimum) to the 'involve' level of the spectrum outlined in Box 5.2.

Box 5.2 Spectrum of community engagement

Inform: *One-Way communications – providing balanced and objective information to assist understanding about something that is going to happen or has happened.*

Consult: *Two-way communications – obtaining public feedback about ideas on rationale, alternatives and proposals to inform decision-making.*

Involve: *Participatory processes - inviting involvement to help identify issues and views to ensure that concerns and aspirations are understood and considered prior to decision-making.*

Collaborate: *Working together to develop understanding of all aspects of issues, work out alternatives and identifying preferred solutions.*

Empower: *Providing opportunities and resources for communities to be part of solutions by valuing local talents and skills and acknowledging their capacity to be decision makers in their own lives*

Source: *Government of South Australia and the Local Government Association of South Australia, Community Engagement Showcase, June 2007, p 2.*

15 Under the current accountability arrangements, the timing horizon for councils' principal planning document (the management plan) is too short for effective planning and management of infrastructure with long-lived assets.

5.4.2 Delivery plan

Each newly elected council would also develop a four-year delivery plan, which sets out its commitment to the community. Through this plan, council accounts for its stewardship of the community's long-term goals, outlining what it intends to do towards achieving these goals during its term of office and what its priorities will be. The delivery plan is intended to be the single point of reference for all activities undertaken by council during each term of office (like the current management plan). All plans, projects, activities and funding allocations must be directly linked to it.

The above statement is fully supported by this Association, especially when linked to *The Spectrum of Community Engagement*.

Conclusions

- Although the current rate pegging appears to be non-transparent, there will be a certain amount of trepidation by some sections of the community, if this is removed.
- There is some foundation, in councils advancing infrastructure spending by responsibly using increased debt. This would only apply to those councils with strong growth prospects.
- Council's efficiency could be enhanced by improved performance from staff. For instance some councils have a nine-day fortnight structure. This loss of a days work, 26 times a year, is not made up by the extra time allocated per day. It is a proven fact that more is achieved by a full days work than the extra hours at the end of a shift. Productivity improvements are directly related to fiscal good management.
- The argument that rate pegging protects ratepayers from excessive increases is valid. However it does have shortcomings in accountability and transparency. In the long term ratepayers may not be getting the best outcome for the money outlaid.
- The following points made by IPART are important:

16.1 What aspects of the current revenue framework can be improved?

During the course of its consultations, a number of key arguments were raised against the current framework for regulating the level of council rates. In particular:

- ☐ the arrangements for determining the rate cap are not sufficiently transparent
- ☐ the one-year approach to setting rates encourages a short term focus and discourages medium term planning of expenditure and income
- ☐ the lack of clear guidelines for the approval or rejection of variation proposals has led to a perception that the process lacks consistency, predictability of outcomes and transparency
- ☐ the timing of the rate peg announcement in March each year and the variation approvals by June each year do not allow councils sufficient time to provide up to date financial information to underpin proposed revenue policy and linked service plans in the Management Plans, which are required to be exhibited for public comment by the end of the financial year
- ☐ the current arrangements do not allow for sufficient council autonomy or community participation in determining revenue requirements and expenditure plans.

- If the rate pegging system is to be abolished certain criteria must be adhered to. Rate setting, with regulated annual rate increases, for a 4-year period after each Local Government election, would make councils more accountable
- If after 4 years the ratepayers are not happy with what council has achieved, they have the opportunity at the ballot box to make their displeasure known. However what affect this would have on council managers and directors needs to be clarified. Perhaps council management contracts should be up for review after each 4-year term of council.
- Option A should be the minimum arrangement for councils to adhere to. This option still retains rate capping.

- Option B should be reserved for those councils, which show greater accountability, transparency and a community mandate. This option does away with rate capping but is subject to greater State controls.
- Option B may provide potential councilors with an avenue to put forward their vision for the next 4 years as part of their résumé.
- By providing increased flexibility to councils to improve the conditions for ratepayers, there should be more autonomy from State control. For those councils many hundreds of kilometres from the State seat of government, setting their own agendas should be paramount. There is already much more State interference in councils than what is considered desirable by many ratepayers and associations. Many issues are native to a particular area and are not understood at other government levels.
- The Options A and B do not take into consideration, any recent reductions in revenue availability, due to the State Government forcing more and more responsibility onto councils without funding backup to carry out the task. This affects the bottom line accounting and is an added pressure on a council's budget. Investigation by IPART is warranted.
- The State Government has reduced Section 94 contributions to councils in an effort to be seen to be reducing the cost of the price of a house block of land. This may well work in reverse, as councils may not have the funds available to provide the essential infrastructure, with consequent delays. The alternative to this is to apply for greater rate increases from the established ratepayers, which would appear to then be subsidising developers, who are most unlikely to pass on any saving to the purchaser. The establishment of new towns, such as those, which are being built on the far north coast of the State requires far greater funding due to connectivity of essential services and the base upgrade of such infrastructure as, waste water treatment plants and water supply, storage, and treatment. The council has to deal with a massive influx of people in a relatively short period of time with reduced fund availability.

