

18 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/Madam

**Revenue Framework for Local Government
Other Industries – Draft Report (July 2009)**

Thankyou for the opportunity to provide comment on the Draft Report Revenue Framework for Local Government Draft Report July 2009. Bathurst Regional Council has also made representations to the Public Workshop held in Dubbo on 11 September 2009 regarding this report.

Bathurst Regional Council is an important part of the Central West of NSW, having an area of 3,815km² and local roads totalling 1,188km. Council caters for the city of Bathurst and 17 villages within its area with a total population of 38,326 people. Through an ongoing close relationship with our communities Council is proud to offer a diverse range of services to our residents, ratepayers and visitors to our region. We are recognised as a region that excels in academic opportunities; host of many tourist events and activities renown nationally and internationally; have outstanding cultural facilities; and are fiercely proud of being able to integrate development with our ongoing protection of our agricultural base.

Bathurst Regional Council supports the review of the need for ratepegging restrictions and returning to Councils' the ability to levy rates according to their communities needs and requirements. It is disappointing that IPART have not recommended this as an option having clearly identified 'the range of services reflects community demands and ultimately is a decision for each council'¹, but yet failed to believe in local governments capacity to adhere to the principles of democracy and responsible government in generating rate revenue.

This response does not attempt to address the individual recommendations of the report, rather make statements regarding the foundations on which the recommendations are based and the suspected outcomes that they will generate.

The options outlined in the draft report go some way to alleviating the current frustrations in rate pegging; however it is perceived that they will add additional layers of administrative regulation that is unwarranted and excessive to local government and the community's needs.

¹ IPART Finding 2

The fundamental assumption that IPART has made is that the Integrated Planning and Reporting Framework (IPRF) will become mandatory in local government. As at today's date the process has not been mandated by State Government. As such it is not a requirement of Council and IPART have no place in creating another administrative layer which mandates these changes.

The introduction of a Local Government Cost Index (LGCI) is a welcomed recommendation. The need for transparency in setting a rate peg (assuming it is not abolished) will generate positive change in this area. Council is concerned however that this will not be the determining calculation of any rate peg with the Minister only being **guided** by this index in setting a rate peg. The efforts of IPART to exclude political factors by stating 'any increase as determined by the Minister that is either over or under IPART's recommended cost increase **should** be accompanied by a statement of reasons'² does not enhance transparency in this process.

The basket of cost items identified in Table 17.5³ proposed to generate the LGCI fails to identify Bathurst Council's commitment to welfare and cultural issues as well as recreational, sporting and economic growth factors. It is unacceptable to infer that these factors will adequately fit within the 'Other Expenses' category included in the basket.

This oversight highlights the issue of having a single **one size fits all** philosophy regarding service provision across local government. As IPART has identified 'The range of services reflects community demands and ultimately is a decision for each council'⁴ and some flexibility within this index must be achieved for the principles of Option A to be in anyway effective.

Council further questions the proposed view of the weightings associated with this basket. Weightings calculated at 5 year intervals may suffice once a system is established and any flaws removed, however initial weightings must be reviewed on a more regular basis and with Councils input to ensure that they are truly reflective of each council they are applied to.

The inclusion of a productivity factor in the LGCI that 'encourage efficiency gains'⁵ is a flawed premise and indicates the lack of operational knowledge of local government. The aims of IPART to strengthen 'representative democracy, council accountability to the community'⁶ is undermined by this suggestion. Councils must retain the right to choose how productivity gains are applied in their community. These may take the form of reduced pricing (as inferred by IPART); increase in service levels; upgrade or alternative service provision; infrastructure replacement, repair, reserve building; or cancellation of the service.

² Page 169

³ Page 200

⁴ IPART Finding 2

⁵ Page 7

⁶ Page 61

IPART's recommendations regarding community consultation are impractical. While imposing the unlegislated mandates of the IPRF via the presented options, IPART fails to acknowledge the substantial community consultation required by this process as a 'mandate from the community'⁷ when applying for multi-year revenue paths under Option A or entry to Option B. Further significant community consultation required for approval under either of these options that is expensive, unwarranted and often unwelcome by a community who has participated in consultation around these issues previously, one that becomes tired of being consulted and will ultimately disengage from the process.

Bathurst Regional Council undertakes an annual community survey via an external organisation. While this process is useful to Bathurst, it should not be enforced on a democratic organisation to undertake. The levels of community interaction proposed by IPART have been set well above voluntary survey standards. If 10% of a community responds to a voluntary survey it is considered a very high response rate. The 2008 Bathurst Regional Council Community Survey, conducted by the Western Research Institute, an arm of Charles Sturt University, consulted with a sample of 633 households, or 3.6% of its ratepayers. To expect this to be 25 – 30% of ratepayers Council will have needed to survey 5,188 of 17,295 ratepayers, this is without considering overall population which would then inflate the number surveyed to 11,498⁸. The impost and timeliness of such a survey would be unworkable and Council fails to see how this would be more beneficial than those standards already in place by reputable organisations currently undertaking similar functions.

The suggestion of a 'voting option'⁹ surrounding the revenue plan is a dangerous concept. Questions arising from this include:

1. Who will formulate an amended revenue plan than the one Council has prepared?
2. Who will fund the amended revenue plan?
3. How will staff be protected from this political process?

It is already difficult to engage community members to undertake the role of a Councillor, a largely voluntary role. To place additional pressure on these candidates requiring preparation of revenue plans that meet the intricacies of local government will no doubt eliminate strong public advocates with limited knowledge in these areas.

IPART have identified the 'one issue with the current management plans is that there is a difference between the length of the plans for activities and expenditures (three years) and revenue policy (one year). This difference in timeframes between expenditures and revenues could potentially lead to uncertainty over the budgetary position and funding strategy beyond the next year'¹⁰. This appears to be replicated through IPART's recommendations that multi-year revenue paths are limited to four years, however are based upon the IPRF that requires a Community Strategic Plan of

⁷ Page 172

⁸ ABS 3218.0 - Regional Population Growth, Australia, 2007-08, Bathurst – 30% of 38,326 population

⁹ Page 178

¹⁰ Page 59

ten or more years. It is acknowledged that a Delivery Plan is a four year duration, however this Plan fails to implement all of the recommendations contained within the Community Strategic Plan, which will again lead to ***uncertainty over the budgetary position and funding beyond the 4 year period***. Without the ability to access long term funding consistent with the Community Strategic Plan and Asset Management Planning requirements (Water and Sewer must have 20 year financial plans) the community will once again be limited by the services and service levels provided to them by Local Government, as a result of State Government and IPART limiting access to long term financial planning enabling services to be improved, refined or implemented.

Council further questions the impost that failing to meet the requirements for multi-year revenue paths will only enable Council's to revert to the mandated rate peg level, or apply for a single year increase. The ability to apply for additional repetitive years is imperative in planning processes and achieving the results requested by the community via the IPRF consultation process, not to mention the additional consultation required as part of the application process for exemption to rate pegging.

Council would be pleased to further discuss these issues should IPART require further clarification on any of the points raised.

Yours faithfully



D J Sherley
GENERAL MANAGER