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Ref RP:AFS

14 September 2009

Independent Pricing and Regulatory Tribunal  
PO Box Q 290  
QVB POST OFFICE 1230

Dear Sir/Madam

**REVIEW OF REGULATORY FRAMEWORK OF LOCAL GOVERNMENT –  
DRAFT REPORT**

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My Council welcomes the opportunity to provide feedback in relation to the above draft report.

As you are no doubt aware the recommendations of the final Report will, if adopted by the Government, see change to a Council's underlying ability to consider and respond to the Community's needs and wants.

Berrigan Shire Council has a generally positive response to the draft Report in that it suggests a framework that is co-ordinated with the Local Government Integrated Planning and Reporting model and equally it addresses the underlying weakness in that model being a Council's ability to predict future rate revenue levels.

The recommendations of the draft Report will, if implemented, provide Councils with the ability to plan for the future for the first time since the introduction of annual rate capping.

While the Council is generally supportive of the recommendations of the draft report it does believe that it should be reviewed as follows:

1. There is inadequate consideration of the option for an implications of a complete removal of rate capping.

If the report is truly independent the option needs to be seriously evaluated and not dismissed due to the political environment.

Given that New South Wales is the only State clinging to this archaic system that demonstrates a complete lack of trust and also because it does not appear to have materially improved that lot of ratepayers its continued retention must be questioned.

2. For the Local government sector to have any confidence in the rigor proposed for the rate setting process the Minister's role in finally setting these should be eliminated.

As an industry we have all seen the, at times, blatantly political establishment of rate capping allowances that have seen political popularity hold greater importance than the financial sustainability or capability of Councils.

It would clearly enhance Council and community confidence if rate movements were set by the independent umpire through an open process.

3. There needs to be a much clearer evaluation of productivity savings.

The proposed use of the State efficiency dividend may be some sort of a measure, however the ability for the smallest Council to achieve the same level of saving as the largest bureaucracy must be questioned.

Any measure of productivity savings to be achieved must also reflect the actual ability to achieve them without unnecessary hardship.

It would be useful to develop a specific method of calculating these savings despite the effort involved in doing so.

4. The issue of requirements for community survey is also of concern, basically because of the percentage of ratepayers required to be surveyed.

Professional survey organizations can deliver very high confidence levels in surveys from much smaller samples than is being suggested in the report.

Given the high cost of conduct of such surveys, it may be useful to review the level of suggested sample size after consultation with relevant service providers.

5. Of greatest concern is the eligibility criteria to be met before being able to move to Option B.

In simple terms it would appear that only those councils that do not need additional revenue would be able to achieve satisfactory criteria.

Conversely, those most in need will have the most difficulty meeting the financial performance criteria.

This situation seems somewhat perverse.

Two of the financial targets set out in the report also appear to be somewhat misunderstood.

A Council's operating result excluding capital amounts does not only include a Council's direct operating expenditure and revenues as appears to be purported.

A Council's operating result now contains significant expenditures and revenues resulting from changes in asset valuations. It can be seen that in moving to a fair value basis of valuation it is likely that asset classes can fluctuate widely with subsequent effect on the operating statement particularly when asset values fall.

It appears that the Report assumes that the capital expenditure ratios reported in a Council's financial statements reflect renewal expenditure and depreciation only.

While this was once the case it is no longer the case.

The figure reported in the financial statements is now a movement in asset value and includes not only capital expenditure but also the effect of asset class revaluations.

This new measure is both meaningless and subject to wild, cyclic fluctuation.

My Council believes that the financial measures required to be satisfied to move to Option B need to be entirely reviewed to both achieve useful measures and those that will not unnecessarily preclude those Council's most in need of the option.

The Council would be pleased if you would consider its submission in developing the final Report.

If you have any queries please do not hesitate to contact me.

Yours faithfully



**ROWAN PERKINS**  
**GENERAL MANAGER**