

## RESPONSE TO IPART DRAFT REPORT:

### “REVENUE FRAMEWORK FOR LOCAL GOVERNMENT”

Thank you for providing the opportunity to make a submission on the Review of Revenue Framework of Local Government - Draft Report. Rating of land is fundamental to local governments' revenue structure and is critical in determining the level of services that individual councils can provide to their communities. There is indeed a close correlation between the amount of income received from rates and the works that Councils are able to carry out.

Gundagai Shire is located on the South West Slopes of NSW, has an area of 2,450 square kilometres and a population of approximately 3,800. The economy of the Shire is agriculture based with an increasing reliance on the tourism industry, similar to many other rural local government areas. The Shire is dissected by the Hume Highway and the Murrumbidgee River which provides a set of unique challenges and experiences for Council in providing services to our Community.

It is not proposed to make a comment on the individual recommendations contained in the Draft Report, but rather to make a number of general observations regarding the overall content and direction of the Report.

- ❖ Council strongly believes that the abolition of rate pegging is a genuine option that should be included in the Report. The Draft Report is predicated on existing State Government Policy (probably Opposition policy as well) that rate pegging will continue to operate in NSW. If the Report is to provide genuine alternatives for the revenue framework for local government then surely the abolition of rate pegging is an option that should be explored.
- ❖ There is an assumption, which is noted on page 3 of the Executive Summary, that ratepayers need protection from local government in NSW. Given the level of accountability and closeness to the people Council is unsure why this should be so. What protection do taxpayers have against State and Federal Governments? Surely the democratic process provides adequate protection for ratepayers and taxpayers! Councils have proven to be competent and responsible in managing water supply, sewerage services and domestic waste management without restrictions placed on their revenue raising capacities.
- ❖ If local government is to have rate pegging forced on it then the principle of establishing a local government cost index (LGCI) is a sound one. How

such an index is achieved is problematic however. Indeed it could be argued that you may need 152 LGCI's as each councils' costs in certain areas maybe unique to that area or region. This is particularly so when establishing the costs of maintaining and constructing roads where the cost of supplying raw materials can vary greatly.

- ❖ While Options A & B both propose to have IPART involved in determining the LGCI the final rate pegging allowance determined by the Minister will always be perceived as a 'political decision' unless the Minister is totally removed from the process.
- ❖ The process required to achieve Option B seems extremely onerous and perhaps the integrated planning and reporting regime currently being implemented in NSW local government could be used to determine if a council meets the requirements of this Option.
- ❖ If a 4 year cycle is the preferred time frame then it will be important to ensure that a newly elected council is not locked in to a previous councils decision for the full term.
- ❖ Community surveys are expensive to conduct and may become irrelevant if conducted too frequently. Every 2 years would seem an over-kill and it is held that every 4 years the community is surveyed via a general election of councillors.
- ❖ In 2006 an Independent Inquiry in the Financial Sustainability of NSW Local Government was carried out (The Percy Allan Report) and it appears that there has been little or no reference to this inquiry in the Draft Report.
- ❖ Nevertheless IPART does recognize there is a backlog of council infrastructure works in NSW but unfortunately appears to effectively dismiss the concern on the basis that it believes NSW councils are no worse off than their interstate counterparts. Council believes this logic is flawed.
- ❖ While outside the terms of reference of this report there are a number of other significant impacts on local government revenues and expenditures that, along with rate pegging, severely restrict a councils ability to provide services to communities:
  - Little or no opportunity for many councils to charge for services, eg parking fees;

- Cost shifting by central governments on to local government continues to occur even though it is recognized that councils have no capacity to absorb these costs;
  - Contributions for statutory requirement where budgets are determined elsewhere, eg
    - noxious weed control
    - rural fire service
    - state emergency service
    - fire brigade
  - Various grants provided annually on an ad hoc basis or with no increases to meet rising costs of service delivery.
- ❖ The report indicates that NSW councils have relatively low debt levels and as such suggests this provides for some ability to finance infrastructure works. However in making this generalization the tribunal appears to have glossed over the issue of councils capacity to repay loans.