



GUNNEDAH SHIRE COUNCIL

Submission

to

Independent Pricing and Regulatory Tribunal

18 September 2009

Gunnedah Shire Council
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1. Introduction

Gunnedah Shire Council expresses its appreciation to the Premier of NSW for requesting IPART to assist the Department of Local Government in conducting a review of the regulation of rates and charges for NSW.

The following submission details a number of matters raised by Gunnedah Shire Council following consideration of the IPART review and the associated draft reports, at Council's Ordinary Meeting on Wednesday 16 September 2009.

Council applauds the efforts of the Department of Local Government in consultation with IPART to establish a more equitable position in revenue raising capacity for NSW Councils. It is also important to include the nexus with the new Integrated Reporting requirements demanding Councils become more efficient and with a longer term strategy.

2. Option A

In relation to Option A and the Local Government Cost Index calculated by IPART each year, it is suggested that this option should make some allowance for extraordinary cost increases that occur on an annual basis, such as Rural Fire Service costs experienced by Councils over the last few years. Council's fire protection expenses have increased by 62.38% over the four year period from 2004/05 to 2008/09. In dollar terms, this represents an extra \$187,495 over that period. Rate pegging increases amounted to a total 13.7% increase over the same period. Further, the additional costs associated with the Retirement Superannuation Scheme in securing the deliberations over the current budget was an extra amount of \$377,000. During this budget preparation, Council's 3.5% rate increase amounted to \$272,345. This obviously demonstrates that the full increase taken up by Council was consumed totally by one particular item, let alone the other significant cost increases that occurred in many areas of Council's operations.

Further, in relation to the Local Government Cost Index and productivity factor, Council requests that the calculation process for this cost index be made available prior to the Minister's decision each year as to how this index has been ascertained.

3. Option B

Option B as presented in the report, proposes an opportunity where eligible Councils can seek full autonomy in revenue requirements with a suggested timeframe of four years. Part of this eligibility is a demonstration of financial stability along with other criteria. Gunnedah Shire Council wishes IPART to acknowledge the fact that it is widely known that some Councils throughout NSW who are in financial difficulty require a financial strategy well beyond four years to reach a more viable financial status. In this instance, the requirement to demonstrate a “track record of sound financial management” may eliminate these Councils from the opportunity to pursue Option B.

Option B may well be in reality the most viable option for long term financial recovery for Councils experiencing financial difficulties. Therefore, IPART should give serious consideration to enabling such Councils to pursue Option B on the proviso that they have a prudent long term financial plan with achievable milestones that can be easily monitored by the Department.

Further, the term four years is also somewhat restrictive in a financial planning sense. Council can understand a requirement for closer scrutiny, however would suggest a more appropriate approach would be for the approval of Option B, providing the eligibility requirements are met given consideration to the previous point, with formal intervention points on a periodic basis, ie every two to four years. This may require the Council to meet with the Minister to review the initial strategy and ensure the objectives are being met. Further, this also gives new Councils, as in elected representatives, after an election the opportunity to also review this strategy before discussing it with the Minister.

Council also has some concerns in the requirement to establish community mandate for eligibility to Option B. The engagement of the community is somewhat of a difficult process when it comes to community participation. Quite often as has been the experience at our Council, those that see only a direct benefit to disbenefit will make the effort to attend consultation processes. The review has discussed issues such as the utilisation of a referendum and further, the potential use of independent surveys may also be an option.

Council emphasises the need for further serious consideration in relation to this particular community mandate criteria.

In relation to asset management and infrastructure backlogs, although Schedule 7 of the financial statements gives an indication of where Councils sit in relation to meeting service level requirements of infrastructure assets, it could be argued that the information is somewhat subjective. Local Government does have some short falls in asset management processes which would be viewed in various ways. It has been argued by IPART that the backlog in meeting infrastructure asset requirements may not be as big an issue as NSW Councils suggests. Therefore, Gunnedah Shire Council suggests to IPART that the backlog in asset infrastructure requirements may actually be worse than anticipated. In particular, in Council areas such as Gunnedah, that have experienced population decline in the past and are now looking at anticipated growth over future years. This growth is occurring in various sectors of the Council area which are being developed for the first time.

Finally, Council raised the issue that IPART has not included a third option which is to abolish rate pegging in total for NSW in line with other States.

4. Conclusion

Gunnedah Shire Council takes this opportunity to thank IPART for the convenience to provide input on this important milestone for a Revenue Framework for Local Government in NSW.

Council looks forward to serious consideration of the submissions resulting in a more appropriate Revenue Framework for Local Government.

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