

Hi

Thank you for the opportunity to supply feedback and the workshop on the above report that I attended at Dubbo.

I would like to make the following comments regarding the report:

Excluding infrastructure backlogs because of difficulties in measurement is of concern. Even though there are difficulties in measurement & NSW may be 'no worse than elsewhere' seems to diminish the problem. Indeed as indicated in your report, infrastructure renewal is a problem faced by all levels of government which is gaining more awareness. Just because NSW is no worse does not mean it does not need to be addressed.

Your exclusions from cost shifting is interesting. While you considered only items made mandatory, this council, like many other rural councils has picked up services such as health, provision of Centrelink, RTA services and so on due to withdrawal of services by both public and private sectors. While IPART has considered these 'optional' services, this council like others has considered these essential services if these communities are to survive – see later comments regarding sustainability.

Your use of a backward looking indicator has some problems. The costs go up first and then a significant time later, the rate pegging indicator will go up by the (backward looking) indicator – this lag will produce an ongoing drain on councils finances unless you also include a 'forward looking' catch up factor that allows for the increased cost between rises in the rate peg.

It is also worth noting that the analysis on special variation applications is most likely skewed. We would be a case in point. This council has not requested special variations because the costs involved in the application process and the uncertainty of the outcome mean that a rise has to be substantial for it to be worth the trouble. This council has felt significant rate increases would not be in the best interest of ratepayers at this time. If there was a simple more cost effective alternative, this council may have availed itself of smaller increases.

IPART's view that rate pegging is well supported is also interesting, given that there also seems to be widely held belief that it is not. Undoubtedly there is support from both sides of the argument. We would maintain the community and the democratic process is best placed to decide this issue. Having said that, there are a number of positive points in your proposal – an independently calculated rate peg, greater transparency in the special variation process, ability to recover foregone increases over far greater periods are all good features if rate pegging is to continue.

Most analysis of sustainability is based on strict financial analysis ie is recurrent expenditure less than recurrent income, with some attention provided to the widely recognised continued degradation of infrastructure assets. It would be achievable for many councils to 'achieve financial sustainability' simply by cutting costs (which equates to cuts in service deliverables in most cases). This however is an important aspect of many communities being sustainable – if certain services are reduced or removed, communities will eventually become unsustainable. This is more evident in rural rather than urban communities.

It was also interesting to note your comments that answers regarding financial sustainability for smaller rural councils is unlikely to lie (at least entirely) in increased rate income – it would be gratifying if the State & Federal Government would take note and address the issue of inadequate recurrent funding in the short term. Unfortunately it would seem this would preclude small rural councils from option b as it currently stands.

Your comments regarding the limited scope for increasing user charges much further was also comforting. I believe too high a reliance on developing alternative sources of income can be problematic for many reasons.

Regards

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