



Holroyd City

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Holroyd City Council

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The Gateway to Western Sydney

Office of the General Manager

Our Reference:
Contact:
Telephone:

HC-06-07-15
Sid Jain
9840 9777

18 September 2009

Review of the Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Sir

**SUBMISSION IN RELATION TO THE RECOMMENDATIONS IN THE DRAFT REPORT
ON LOCAL GOVERNMENT RATES REGULATION**

I have much pleasure in attaching a submission on behalf of Holroyd City Council in relation to the Draft Report on Local Government Rates Regulation and the recommendations contained therein.

Thank you for the opportunity given to Council to respond to IPART about this vital issue.

Further discussion would be welcome and you are invited to contact Council's Manager of Financial Services, Mr Sid Jain on (02) 9840 9777 or sid.jain@holroyd.nsw.gov.au.

Yours faithfully

Merv Ismay
GENERAL MANAGER

All Communication to be addressed to

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SUBMISSION BY HOLROYD CITY COUNCIL
IN RELATION TO
THE IPART DRAFT REPORT ON LOCAL GOVERNMENT RATES REGULATION

1.6.1 IMPROVING FINANCIAL MANAGEMENT AND ASSET MANAGEMENT

1. Council agrees with this recommendation as it gives a clear picture of the sustainability of Council's operations. It indicates whether a Council is able to fund its operating expenditure from the operating income generated.

Capital revenues such as proceeds from asset sales, developer contributions and capital grants should be excluded from the results so that:

- i) Financial results of Councils can be easily compared.
 - ii) The financial positions of Councils are not inflated due to extra funds received from one-off sales of assets, developer contributions or capital grants received for expenditure on particular projects.
 - iii) Rates, fees and charges are accurately set to match operational expenses
2. Council agrees that asset management systems should be based on a common definition of asset condition. The definition used in the International Infrastructure Management Manual 2006 (ITMM) is supported as a starting point.
3. Council agrees that consistent definitions should be developed. This will enable comparisons of Council data across the state. More accurate decisions regarding asset management and planning could then be made. The Department of Local Government, in consultation with Councils, should develop the definitions and use the ITMM definition as a starting point.

1.6.2 IMPROVING THE EFFECTIVENESS OF THE PROVISION OF SERVICES

4. Council agrees that public consultation on the performance of Council in key service delivery areas should occur every two years.

Council supports the reporting of its performance to its community in line with the proposed Integrated Planning and Reporting legislation.

5. A template survey to assess community satisfaction is supported.

1.6.3 A NEW FRAMEWORK FOR LOCAL GOVERNMENT

6. Council supports greater flexibility in the setting of rates and seeks the ability to set rates in line with its community's expectations.

Option A

This option maintains rate pegging in some form and limits Councils in their capacity to raise rates to deliver essential services and infrastructure to their ratepayers.

- Our concern is that the LGPI is a general measure and does not take into consideration each Councils' unique circumstances. All Councils are different in terms of



demographic, density, diversity, population, level and use of infrastructure, etc. A general measure such as the LGPI may not accurately reflect Holroyd City Council's situation.

- The Minister still determines the increase in rates which is contradictory to the requirements of the IP&R framework. The IP&R framework requires Councils to engage the community to develop a community strategic plan. As highlighted earlier if the ratepayers are determining the level of service and infrastructure they want they should be able to determine if they would like to pay for it.

Council supports the idea of linking long term rate setting to strategic planning. This will enable delivery of outcomes set by the community. However, as highlighted earlier this option still limits Council's ability to resource themselves in order to deliver these outcomes.

Option B

This option is more suitable for Council to determine rates and deliver outcomes in line with the IP&R framework. Council agrees with the option of applying for an increase greater than the regulated annual increase.

Council believes that by removing the annual regulated increase as advised by the Minister and letting Council determine an annual rate increase in conjunction with the ratepayers would be a better method.

It is recommended that the framework for securing rate increases under Option B be established in consultation with the Local Government industry.

7. Refer to recommendation 6 above.
8. Refer to recommendation 6 above.

1.6.4 THE LOCAL GOVERNMENT COST INDEX

9. Council agrees that a Local Government Cost Index (LGCI) and an Local Government productivity factor should be calculated. However, this should only be used as a guide because this does not address each Councils' unique circumstances.

Councils generally have unique circumstances that may not be addressed by a generalist cost index and productivity factor.

10. Council agrees with this noting that the Local Government industry should be invited to comment on the factors that make up the indexes.
11. Council agrees with this however, a general productivity factor may not address a Councils' unique circumstances such as population, diversity, density, type and amount of infrastructure, demographic, location, etc.
12. Whilst a productivity factor is supported, subject to feasibilities a more regularly released factor would better serve Local Government.



13. The LGCI should be used as a guide only and if the Minister is determining an increase in rates, the increase should be the same as the LGCI or more. A rate increase lower than the LGCI will mean that Councils will generate rates which are not enough to keep in touch with the increase in the cost of goods and services.

1.6.5 PROVIDING A MECHANISM FOR RECOVERING FOREGONE RATE INCREASES

14. Council agrees to this as it will allow rates to be raised to address the community's expectation.

1.6.6 THE SPECIFICS OF OPTION A – A MULTI-YEAR REVENUE PATH

15. Council agrees with parts of Option A however, noting its arguments against as detailed in Recommendation 6.
16. Refer to recommendation 6.
17. The broad criteria are supported but the specifics of a Council's situation should be assessed on a case by case basis.
18. The Minister should have the power to reject any rate increases which he / she believes to be excessive in line with the service delivery outcomes / levels in the Councils' community strategic plan. Detailed reasons should be provided.
19. Agree Councils should have the right to make further applications where they believe sufficient grounds exist.

1.6.7 THE SPECIFICS OF OPTION B

20. Council agrees with this in line with what it proposes in recommendation 6.
21. Agree and refer to recommendation 6.
22. Council agrees with this. Further, Councils should have a comprehensive asset management plan and corporate asset management policy which forms part of the IP&R framework.
23. Agree.
24. In principle this requirement for obtaining a community mandate are supported.
25. Noted and refer to recommendation 6.

1.6.8 THE MINISTER'S ROLE

26. Agree with 1.

The Minister should determine rate increases noting Council's comments on recommendation 13.

27. This is supported on the basis that clear reasons are given should the Minister reject a rate variation.



28. As per recommendation 27 above.

1.6.9 THE DEPARTMENT'S ROLE

29. Agree.

1.6.10 IPART'S ROLE

30. Agree.

1.6.11 TIMING THE IMPLEMENTATION OF THE FRAMEWORK

31. Consider the implementation of the new framework in conjunction with the requirements of the Integrated Planning and Reporting legislation.

32. Refer to recommendation 31.

33. Refer to recommendation 31.

34. Refer to recommendation 31.

35. Refer to recommendation 31.

1.6.12 CALCULATING THE LGCI

36. Agree.

37. Weighting of the LGCI every five years has potential to cause disruption to the four year delivery plan cycles and should be brought back into line with the Integrated Planning and Reporting structure, with indexing every four years and results provided to Councils in time to prepare their next Delivery Plan.

38. Agree.

39. Yes.

40. Yes.

1.6.13 REGULATING RATE REVENUE ONLY

41. Yes.

1.6.14 FRAMEWORK FOR STATUTORY AUTHORITIES

42. Agree.

43. Agree.

44. No comment.



45. No comment.