



IPART Revenue Framework for Local Government

RESPONSE FROM HORNSBY SHIRE COUNCIL

September 2009





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Overview

Hornsby Shire is located 25 kms north of the Sydney CBD. The shire includes major centres such as Hornsby and Epping, secondary centres such as Pennant Hills and Beecroft, and villages, islands, river communities and a large rural district. The 2006 Census data estimates 157,387 people live in the Hornsby local government area.

Hornsby Shire Council welcomes the flexibility recommended by IPART in relation to multi year revenue determinations and greater financial autonomy in rate setting. Council also supports the concepts of

- a rating system aligned to the Department of Local Government's Integrated Planning and Reporting Framework
- a rate peg amount determined via a transparent 'cost index' linked to the average of councils' costs, and announced by March each year

Hornsby Shire Council's submission to IPART focuses on two main concerns associated with the proposed rating models.

1. Firstly the requirement in Option A for rate variation increases to be not longer than four years – Hornsby Council is of the opinion that a rate variation should exist for at least eight years to achieve maximum effectiveness.
2. Secondly in Option B the requirement to demonstrate a community mandate via a survey/engagement of 25% of residents – Hornsby Council considers this requirement to be overly onerous and outside the norms of statistical sampling and representative research.

1. Option A – Rate variation above the regulated amount to be for the medium term (4 years)

Local councils generally seek rate variations to alleviate the impact of problems which have occurred over time, for example infrastructure back logs or environmental degradation. These problems become so severe that residents request action to address the problems and are prepared to pay more via a rate variation above the rate peg limit. Remediating the problem is very often a long term commitment, it can take 5-7 years to make a noticeable difference and much longer to ensure the impacts of the problem do not re-emerge.

Requiring a Council to seek community support to extend a rate increase each four years to complete remediation works has potential problems.

Remediation works may have alleviated the obvious symptoms of the problem and the community is seeing improvement but the underlying causes or contributors to the problems still exist. Residents assume the problems have been solved and therefore do



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not require additional attention. For example the partial installation of drainage works combined with periods of drought could lead the community to believe that completing the installation of drains is no longer necessary, yet works are incomplete and subject to potential failure in a heavy storm event.

Similarly residents often do not recognise the interconnected nature of issues and how those issues impact upon each other. For example a rate variation to improve water quality in waterways will in the first instance be used for gross pollutant traps and community education, however in the longer term some of the funds may be allocated to improve street sweeping to stop litter and contaminants entering the waterways. Residents often do not connect street sweeping with water quality, and therefore do not see street sweeping as a valid contributor to improved waterways, and therefore are unlikely to support an extension of a rate variation for activities such as street sweeping.

Hornsby Shire Council recommends a rate variation for strategic long term priorities be for an eight year period to achieve maximum effectiveness.

2. Option B – Community mandate for full rate setting autonomy

Hornsby Council supports the demonstration of community support via an independent survey as the community mandate criteria for a council to achieve rate setting autonomy.

At the same time Council considers the requirement for survey participation rate of 25 per cent of ratepayers to be excessive and financially onerous on councils. In a local government area such as Hornsby with 157,000 residents the requirement to survey at least 25,000 people (25% of ratepayers, excludes children and resident non ratepayers) is simply not feasible logistically or financially.

Logistically the only remotely viable survey method would be by email. This creates immediate bias because only those with online access are able to participate. It also affects the integrity of results because it is impossible to verify the ratepayer status of email survey participants.

From a financial perspective a survey of 25% of Hornsby's ratepayers, either by email, by telephone or a combination of both is estimated to cost not less than \$200,000 to deliver, analyse results and report findings. This is beyond the financial capacity of any local council.

Hornsby Council recommends IPART refine this criterion to a statistically valid sample size such as 95% confidence level. This means that you can be "95%



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confident", that if you spoke to (xxx) the number of people in your sample, then any person in your total population would give that same answer, within the range + or – 3%.

For example, in Hornsby's case with a population of 157,000, and Council interviewed 384 people, if 60% answered "Yes - I support Council setting rates", then (with a margin of error of + / - 3%) Council could state it was "95% confident that between 57% and 63% of the entire population of 157,000 would also answer "Yes - I do support Council setting rates ". A survey using this sample size would cost approximately \$25,000. If Council wanted to be 99% confident the sample size would increase to 660 participants and the cost increase to \$35,000.

All research uses small samples. The national weekly polling on "preferred Prime Minister" interviews 2,000 people to represent the Australian community of 20 million people.

Hornsby Shire Council recommends using representative research and statistically valid sampling at 95% to 99% confidence rates as the basis of a community mandate.

Hornsby Shire Council appreciates this opportunity to provide feedback and comment on the proposed IPART model for a revenue framework for local government.

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Hornsby Shire Council