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21 September 2009

Mr Jim Cox
Acting Chairman
IPART
PO Box Q290
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Dear Mr Cox

RE: SUBMISSION ON REVIEW INTO FINANCES OF LOCAL GOVERNMENT

Thank you for the opportunity to comment on the proposals in the draft report developed by IPART for the Government's consideration.

Council believes it is very important that should a mechanism, such as rate pegging, continue to exist that how it is developed should be transparent and open. At the current time this is not the case and neither the community nor the councils can follow the reasoning for the rate peg figure in any particular year. Use of a cost index based on the real costs of providing local government services and a requirement that the Minister for Local Government provide reasons for variations to the suggested figure that IPART recommends is seen as a great improvement.

One aspect that is seen as not having been fully covered in IPART's review into the finances of local government in NSW is that, while the overall level of revenue may be the same as other States and jurisdictions, there is a higher reliance on user charges. User charges are a regressive method of taxation and, as such, may provide a disincentive for lower socio-economic groups to access infrastructure. This can have a negative impact that is not picked up in the financial data. For example, increasing the entry fees on swimming pools instead of increasing rates to cover the increased costs will in turn make it more difficult for some segments of the community to utilise the pool as much as they otherwise would. This is considered an inadvertent impact of rate pegging that is often overlooked in the arguments about the amount of money that can be raised.

It is also concerning that IPART would seem unwilling to consider that there are factors that may reduce productivity. With this approach, it is difficult to see that IPART would be able to fairly and impartially advise of a "productivity factor" on a four yearly, or any other term, basis. The view of IPART that any changes to legislation, regulation and reporting imposed by the NSW Government is for the better good of the community and, as such, does not reduce productivity is simply nonsense. Such an approach is also considered to be at odds with IPART's draft report, which found that there is cost shifting. If Council is required to still produce all of the outcomes it previously was required to and then has another level of reporting, for example, imposed, this clearly increases the costs per unit of service. Such an increase in costs per unit cannot be anything other than a decrease in

productivity. Whether the decrease in productivity can be justified as being a good result for the community is a separate matter. If a productivity factor is to be determined it has to account for factors reducing productivity, such as increased legislative or reporting requirements, as well as improvements to productivity.

The suggestion in the report that the timeframes under which councils are able to "catch up" on foregone rate increases be extended is also commended. There are many instances, such as droughts, where the impacts are seen over a number of years. In many instances, the impacts on the farming communities can extend for years after the event while farmers restock and rebuild their farms and savings. The current timeframes are not seen to fully cover this.

Council is keen to see the "option b" approach kept and implemented. To this Council it is simply setting out that should the local government authority be able to show that it is well run then it can set its own directions with their community. This would save considerably on the bureaucracy involved in the current rate peg application process and is a better outcome. However, as a number of councils did note at the information session, requiring a large percentage of ratepayers to lodge a vote in favour is not the best way to gauge community support. It is suggested that IPART review this approach and perhaps replace it with a requirement for proper surveys of the residents to be carried out. This will give a much more accurate picture of the feeling of the community as it will be undertaken scientifically, not relying on the emotive response that drives the current system. It was noted that people are more likely to be proactive in expressing their opposition to something than supporting a change.

IPART indicated that they would see that the outgoing council would develop a plan for the following four years and this would be publicised. Those contesting the election would then campaign either in support or against this plan. While there is merit in the election being based on the plans of the Council for the future four years, the reality is that financial plans based on four years with a view to re-election face the problem of becoming populist based, not for a long term sustainable solution to the needs of the community. Of more concern is that it may trigger a bidding war, in which a number of candidates will not know the true situation of the Council, financially, and to gain votes may make unsustainable promises. When dealing with infrastructure that has lifetimes of up to 100 years it is considered risky to push a four year focus onto the issue of rate levels. The focus should be on the levels of service that can be provided, based on the whole of life costing of those assets.

I hope this information will assist you in finalising your report to the Government and that this will result in improvements to how local government can ensure it is efficient and effective in providing services, by raising the appropriate level of revenue from the appropriate groups in the community. Council is already working towards consulting with the community on what their real needs are. The introduction of the option allowing Council some certainty that it could then deliver on these plans would be appreciated.

Yours sincerely



David Rawlings
GENERAL MANAGER

cc. MIDGOC C/- Bob Walsh