Lake Macquarie City Council

Submission to

Independent Pricing and Regulatory Tribunal
Draft Report –
Revenue Framework for Local Government

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Independent Pricing and Regulatory Tribunal

Draft Report – Revenue Framework for Local Government

Introduction

Lake Macquarie City Council (LMCC) welcomes the recommendations contained in the Independent Pricing and Regulatory Tribunal's (IPART) draft report Revenue Framework for Local Government.

In particular, the two-option model presented in the draft report provides flexibility to local government by allowing councils to set rate levels and achieve greater autonomy.

There is no question that the restrictions imposed by rate pegging severely restrict LMCCs' ability to meet the future needs and expectations expressed by our communities, while keeping pace with existing demands being placed on councils.

Historically, local government in NSW has argued for the removal of rate pegging, as it is a barrier to long-term financial security and self-sufficiency. NSW is the only state in Australia that has a cap on rates, which can only be increased by the determination of the Minister for Local Government. LMCC does not accept that without rate pegging, local government would raise funds that are surplus to needs, or lose focus on initiatives to stay efficient and competitive. The community will continue to be the barometer for what it expects from both the elected Council and the administration. Coupling rate reform with mandated improvements to planning, reporting and engagement will further empower local communities to participate in and influence council decision making on service delivery and financing.

The recommendations made by IPART provide an opportunity for greater autonomy for councils that meet strict reporting and long-term planning requirements. The recommendations also improve transparency and accountability to both the local community and government. The balance between these measures will provide a more appropriate mechanism to ensure councils can maintain service delivery.

The requirements of the Local Government Amendment (Planning and Reporting) Bill 2009 (the Bill), which is due for debate in September 2009, are consistent with the recommendations contained in the IPART draft report. This Bill will require local government to adopt long term planning strategies (workforce, finances, and asset management). The Minister for Local Government stated in her second reading speech;

> *the object of this bill is to improve long-term strategic planning and resource management by local councils. The bill will mandate an improved system of planning for local government so that councils can focus on their top priority—providing better services to their communities*[1]*.*

Councils will be better placed to understand their financial situation and operate more effectively on behalf of the community by developing long-term plans. LMCC has developed and adopted policies and plans, which reflect the Bill's requirements.

LMCC supports in principle the IPART draft report recognising there are questions around how the two-part model will work, particularly avoiding a highly politicised process around setting rates. This is assuming that funding avenues from other levels of government will remain at least the current levels.

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[1] Minister for Local Government, Second Reading Speech – Local Government Amendment (Planning and Reporting) Bill 2009. 02/09/2009, viewed on 4 September 2009, http://www.parliament.nsw.gov.au/prod/parlment/nswbills.nsf/131a07fa4b8a041cca256e610012de17/54787968ec2807d6ca2575df001a0b18/$FILE/LA%20LG%20(P%20&%20R).pdf

There remain significant issues surrounding how to gain community support for revenue and expenditure over the four-year term should a council opt for Option B. Our submission will touch on this aspect of IPART's draft report.

Background

The original terms of reference were narrowly focused, limited to investigating a more transparent rating system to assist local government become more financially secure. There was however, an opportunity to examine the relationship between the three levels of government to reduce inefficiencies and duplication and improve funding mechanisms. It was also an opportunity to investigate alternative income streams that may be available to local government, for example creation of business entities and partnerships with the potential to generate an income to return to the community. While this can occur with Ministerial approval, it is currently an overly complex system to negotiate.

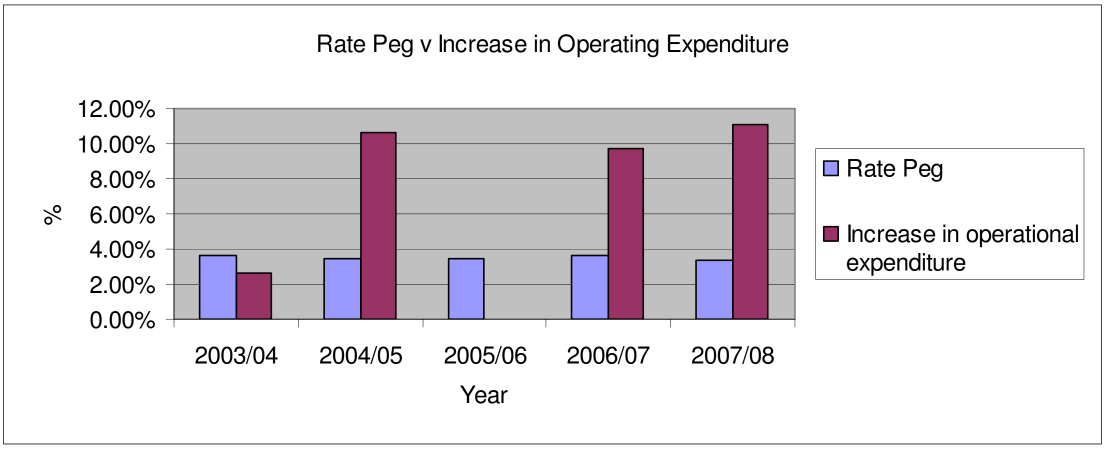
LMCC made a submission to the original review, highlighting a number of failings in the current revenue framework for local government. Issues included the inability of local government to source its own income, rate-pegging limitations, over regulation and legislative requirements from other levels of government, and the effect of cost shifting on the long-term sustainability of local government.

These contribute to LMCC's current financial situation and impact on the long-term financial sustainability. These issues are briefly discussed below.

- Rate pegging

Restrictions on rate income means that LMCC does not currently have the ability to increase rates to cover increased operational costs for the equivalent level of services.

Over the past 5 years, the average rate peg was 3.52%. Over the same period operating expenditure increased by an average 7%. In dollar terms, operating expenses have increased by over $36 million, while LMCC's rates income has increased by only $15 million (difference $21 million).



- Constraints, restrictions & externally controlled revenue

Other governments and departments set the fees for some of the services that LMCC provides. When the fee does not cover the costs associated with that service and the statutory fee increases at a level less than the increase in costs, then the cost to LMCC will continue to increase over time.

LMCC is required to restrict the use of revenue from certain sources for specific purposes. This means that LMCC cannot use the cash generated by these sources for general purposes, for example capital dedications, section 94 contributions and domestic waste revenues.

Over regulation by other levels of government has a significant impact on the revenue generation of local government. For example, investigations of LMCC's estimated Operational Revenue for the 2008/2009 budget year revealed that approximately 80 per cent (approximately $113 million) is externally controlled.

Other tiers of government effectively control the financial resources available to local government, regardless of our efforts to improve the revenue base or distribution of funds. Very few organisations in the private sector could succeed under these conditions. Limits on revenue directly translate into the quality and scale of services delivered.

❖ Cost shifting from other government levels/departments

Cost shifting simply means that local government provides a service on behalf of another tier of government without adequate funding for the provision of that service. The transfer of responsibilities, without adequate financial compensation, will always put additional financial pressure on councils that are left to continue to provide the service. An investigation of LMCC's budget shows that approximately $11 million per annum is cost shifted from the other tiers of government.

LMCC accepts that IPART's definition of cost includes some degree of choice for councils to accept the costs being shifted, but suggests that considerable caution be applied when attempting to determine the component that is voluntary.

Historically, other levels of government provide funds to establish and deliver services. At worst, funding is ceased or significantly reduced at an undefined future point. At best, governments simply do not maintain levels of funding which are reflective of the increase costs associated with that service. There is a particularly strong pattern of this type of cost shifting in social service type activities such as family support, and aged and disability support.

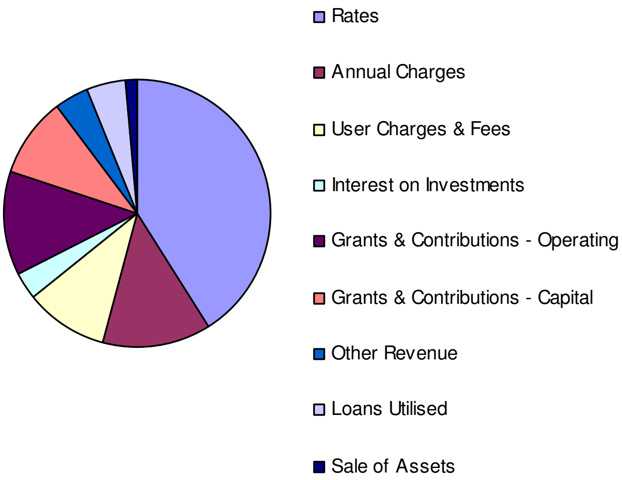
While IPART may determine that councils have an option to continue to provide these previously funded services in whole or in part, the reality of removing these services needs to be considered at both a social and financial level. Historically programs have moved from 100 per cent funding to 50 per cent 'match' funding with the same outputs required. This removes the option of a council choosing not to accept the reduced funding and provide a reduced service, employ people on a part time basis or redeploy full-time staff for a percentage of the time. This is the case currently with the RTA part funded Road Safety Officers positions which were discussed briefly during the workshop on 16 September 2009.

Similarly, while IPART may determine that LMCC could opt to cease providing many of these services when funding from State or Federal Government is removed or reduced where funding has included the employment of staff, the Local Government State Award restricts our ability to do this. The Award does not allow non-permanent positions to be created when they are dependant on funding from other levels of government with any proviso that if funding is reduced or ceased the position will also cease. In such an instance, the only option available to a council is to offer relevant officers redundancies, which is both costly and undesirable.

❖ Budget by source of funds

LMCC's 2009/2010 budget shows Grants and Contributions equate to over 23 per cent of total funds or approximately $40 million (refer chart on next page). Certainty of grants and contributions is paramount to the long-term financial sustainability of local government and achievement of appropriate service levels. Any change to the calculation of government grants, particularly Financial Assistance Grants, would adversely affect the ability of LMCC to service the community. In addition, the current grant fund mechanisms from state and federal levels are not wholly transparent, are sporadic, and subject to change at very short notice.

For services that are going to be included in our 4-Year Delivery Program and 10-Year Community Plan, but are highly dependent on other government funds, it is extremely difficult to plan with any certainty. Clearly articulated longer-term funding mechanisms are essential to LMCC's plans. This should be considered by IPART in formulating the final report to the Government.



Budget by Source of Funds		
Sources of Funds	**2009/2010 Budget ($'000)**	**%**
Rates	74,242	41%
Annual Charges	23,314	13%
User Charges & Fees	17,858	10%
Interest on Investments	6,219	3%
Grants & Contributions - Operating	22,775	13%
Grants & Contributions - Capital	17,488	10%
Other Revenue	7,342	4%
Loans Utilised	8,734	5%
Sale of Assets	2,254	1%
Total Source of Funds	**180,226**	**100%**

IPART Recommendations

IPART has developed two options, Option A and Option B, which will work together. LMCC supports both options recommended in the draft report, these are:

- ***Option A -*** *default option for all councils under the proposed framework. It maintains the essential ratepayer protection elements of the current system while improving the rigour, transparency and independence of the rate pegging process by introducing:*
    - *a local government cost index (adjusted for productivity)*
    - *a new, multi-year medium term rate path (eligibility based on council compliance with the Integrated Planning and Reporting Framework).*
- ***Option B -*** *would operate in conjunction with Option A. Option B provides greater council flexibility, but with higher standards of accountability. Councils would seek autonomy in setting revenue requirements and annual rate increases above the regulated rate of annual increase. However, councils would need to earn their independence by demonstrating a track record of sound financial management and a community mandate for the council's proposed medium term revenue plan.*[2]

Lake Macquarie's feedback on Option A

Greater autonomy is critical to the long-term financial viability of local government in NSW. Local government is diverse and it is difficult to identify a model that will be flexible enough to meet the needs of each local government area, however the options presented in the draft report provide an opportunity to meet these needs.

Many local governments in NSW may prefer that a rate-capping system remains and continue to operate under this system. For others, the multi-year rate variation will

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[2] IPART, Draft Report Revenue Framework for Local Government. Viewed on 23 July 2009. http://www.ipart.nsw.gov.au/files/Draft%20Report%20-%20Revenue%20Framework%20for%20Local%20Government%20-%20July%202009%20-%20WEBSITE.PDF

provide certainty to plan and manage their long-term sustainability. It is unlikely that many councils will initially be in a position to meet the strict reporting or community consultation requirements that would allow them to move to independence and set their own rates under Option B.

Option A remains the default operating framework, while providing clear reasoning for the annual rate-cap increase and the ability to apply for a special rate variation over multiple years.

If a council chooses not to accept the full rate peg increase in any year under Option A, there should be a requirement for that council to apply for an exemption similar to a special rate variation. The application should include reasons for the decision, and in particular, what the impact of not charging the full amount will be. The concern is that asset management standards will be eroded resulting in an inter-generational equity issue. Councils, who do not adopt the rate peg for political reasons and are unable to cash fund depreciation of assets, will be leaving an increasing backlog of asset replacement for future generations.

Lake Macquarie's feedback on Option B

The Wran Government reintroduced the rate cap in 1977 to curb excessive rate increases. Since this time, local government has continued to lobby for rate pegging to be abolished. It is accepted that blanket abolition of rate pegging would be politically difficult, especially in the current financial climate.

We recognise the diversity that makes up local government in NSW. Issues affecting Lake Macquarie will be significantly different to rural and metropolitan councils, or even in comparison to our neighbours. Any system introduced would need to be flexible enough to allow for localised conditions and operations. Moving to Option B must be a choice, supported by the community, elected councillors, and a council's administration.

The recommendations identified in the draft report provide satisfactory flexibility for those councils wanting to operate under Option B, and a default option for others. However, this is only while other funding mechanisms remain in place, such as the provision of Financial Assistance Grants.

The recommendations, if adopted by the Government, will work hand-in-hand with the long-term strategic planning and resourcing requirements currently being debated in Parliament, known as Integrated Planning and Reporting Framework (IPRF).

Lake Macquarie is in a unique position to easily transition to the new planning and reporting framework, with the key components of the Bill already being applied in Lake Macquarie. These include minimum performance standards, (financial performance criteria, planning and reporting criteria, and public consultation and democratic input) referred to in the draft IPART report[3]. These criteria are briefly discussed below.

1. Financial performance criteria.

❖ Financial Sustainability - Definition and Measurement.

IPART's definition of financial sustainability and the suggestion in their presentation on 16 September 2009, that most councils in NSW are sustainable is contradictory to the findings of a number of previous reports, which examined the operations and responsibilities of local government with particular emphasis on asset management responsibilities.

[3] IPART, p. 173

It is difficult to understand how such comprehensive studies could present research and findings so contrary to IPART's assumption that the majority of councils are sustainable.

In November 2006, Price Waterhouse Coopers (PWC) completed a study entitled *"Working for a Sustainable Future; An Overview National Financial Sustainability Study of Local Government"* on behalf of the Australian Local Government Association. This study concluded that without reforms, up to 30 per cent of local councils in Australia might not be sustainable. This is broadly consistent with the results of state-based reports that suggest between 25 per cent and 40 per cent of NSW councils could be financial unsustainable[4].

The study identified that local government is providing a growing range of essential services and infrastructure in response to rising community expectations. This expansion of roles and increases in service quality, together with growth in input prices generally exceeding the average rate of revenue growth, has seen a significant number of councils develop financial operating deficits.

According to PWC some councils have deferred or reduced expenditure on infrastructure renewal in an attempt to control the size of their operating deficits.

Similarly, the research and preparation of the Independent Inquiry into the Financial Sustainability of NSW Local Government by Percy Allen (2006) involved a number of studies into all aspects of local government activities.

Roorda (2006) completed a review of the present condition and management of Infrastructure in NSW Local Government to support the Allen report. This study estimated that in NSW, $6.3 billion or about 13 per cent of the total asset value would be required to bring existing assets up to a satisfactory standard. This is almost 8 times the current level of expenditure. Importantly Roorda (2006) also estimates that a further $14.6 billion would be needed over the next 15 years to replace existing assets as they become too old to be reliable and efficiently maintained, which is more than double the current rate of renewal expenditure.

Roorda (2006) also suggested that the size of the issue is only now becoming apparent, and will become more apparent in the future, because only a relatively small proportion of local government infrastructure has required renewal to date. Most council's assets are still in their first generation of life and are only now needing to be renewed. As a result, the need to develop detailed long-term asset management plans will become much greater over the next few years.

The true backlog of infrastructure is likely to come to light as local government implement the Integrated Planning and Reporting Framework, and commence the auditing of council assets as part of the resourcing strategy. Only then will an accurate picture be available on the infrastructure backlog of councils in NSW, and its impact on their financial sustainability.

❖ Lake Macquarie's definition of financial sustainability.

LMCC considers financial sustainability is achieved when satisfactory levels of service are provided to the community whilst maintaining a healthy financial position both in the current period and with a long-term outlook. It includes the ability to manage expected, and reasonable capacity to manage unexpected financial obligations without having to resort to either substantial revenue increases or reductions in service levels.

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[4] Price Waterhouse Coopers (PWC),Working for a Sustainable Future; An Overview National Financial Sustainability Study of Local Government, Australian Local Government Association. 2006

LMCC has developed a set of core indicators that link back to the above definition. These indicators are summarised in Table 1. These indicators effectively measure those factors that define financial sustainability. LMCC currently calculates all but one of the ratios identified in the IPART draft report as a measurement of financial performance and obviously supports them. However, we believe the Adjusted Result after Loan Repayment ratio is a better indicator than to the Operating Balance ratio suggested by IPART.

The two ratios measure very similar things; however, the Adjusted Result after Loan Repayment Ratio excludes capital and restricted revenue. By doing this, you ensure that principal loan repayments are deducted from the adjusted result, effectively measuring an organisation's financial capability and sustainability. This gives an indication of whether the organisation can afford its borrowing program from unrestricted assets and subsequently its capital works program from unrestricted income. It is also a measure of intergenerational equity, that is, if we can only meet interest payments on our loans and not principal repayments, more of the burden of the cost of services and facilities being consumed by current ratepayers will be moved to later generations of ratepayers.

While a set of indicators is useful as a snapshot or summary of LMCC's financial position, it is worth noting that the predictive nature of financial indicators is questionable in that they represent a point in time and do not give an indication of "potential" failure of a council in future years. For example, if results were projected for four future years, and every indicator met the target measure result for each of those four years, it may not mean that this would be the case in year five. The broader picture needs consideration, including an analysis of trends, rather than looking at only one indicator in isolation. Our 10-Year Financial Model is crucial to this.

- 10-Year Financial Model

LMCC has developed a financial modelling tool which allows us to project the financial impact of the delivery of future works and services. To ensure we effectively communicate these financial impacts to our community, the financial model is based on our current budget working document which allows us to aggregate financial information at various different levels of our accounting structure, from the lowest budget project level to the higher Principal Activity (or Focus Area).

This flexibility allows us to develop and present various scenarios to our councillors and to the community. For example, the financial model will allow us to predict the future financial outcome of a "business as usual" situation, but will also allow us to 'model' various scenarios. If a multi million dollar capital expenditure item is required in year 3, the model will determine how to best fund the project (loan funds, reserves, decrease other projects or a combination of these), and include the associated income, operating expenses and depreciation.

The model provides linked graphs to critical financial indicators such as Operating Result, Debt Service Ratio, Total Outstanding Debt, and Internal Restriction Balances. The model also identifies 'acceptable' ranges for these financial indicators and provides the ability to model various options to bring these critical indicators back within acceptable ranges. For example, if our financial model indicates an unacceptable Operating Result from year 3 onward, the financial model can offer various scenarios to rectify the problem such as increase rates or decrease operating expenses, which would result in the Operating Result moving from an unacceptable, to an acceptable range.

This provides the foundation to the long-term financial plan and resourcing strategies adopted by LMCC.

LAKE MACQUARIE CITY COUNCIL FINANCIAL INDICATORS					
Core Indicator	**Purpose**	**Measure**	**Measurement Result**		
			Acceptable	**Needs Attention**	**Unacceptable**
Adjusted Result after Loan Repayments	Measures financial capability	Adjusted net surplus less Principal loan repayments where adjusted net surplus is operating result before capital revenue less any operating result as a result of externally restricted activities less any gain(or loss) from sale of assets.	>0	< 0 for one period	< 0 for two consecutive periods
Borrowing Ratio	Measure of debt in terms of servicing capacity. Too little borrowing may result in low investment for growth and intergenerational inequity. Too much borrowing may jeopardise future financial sustainability.	Total loan borrowing/operating revenues excluding capital revenues	<35%	<17.5%	>35%
Asset Renewal Ratio	Longer term indicator of the condition and cost to maintain public infrastructure assets.	Replacement capital/annual depreciation expense	Between 90% and 110%		<90% or >110%
Asset Renewal Gap	Measures degeneration of asset base.	Amount actually spent on asset replacement/Amount required to be spent on asset replacement in accordance with asset management plans	>90%	Between 85% and 90%	<85%
Debt Service Ratio	Measures exposure to debt and ability to service	Debt service cost/operating revenues	<15%	Betweem 15% and 20%	>20%

Any <u>one</u> "Unacceptable" measurement result would mean that Council is financially unsustainable at that point in time.

Table 1 – Lake Macquarie City Council Financial Indicators

2. Planning and reporting criteria.

The Integrated Planning and Reporting Framework (IPRF) allows councils to identify and plan for funding priorities and service levels in consultation with their community, while preserving local identity and planning for a more sustainable future.

LMCC's original submission to the IPART inquiry also detailed the work we have already undertaken to better engage with the community in setting the long-term priorities for the City through the 10-Year Community Plan, the Four-year delivery program and the 10-year financial model. This coincides with the IPRF embedded in the Bill.

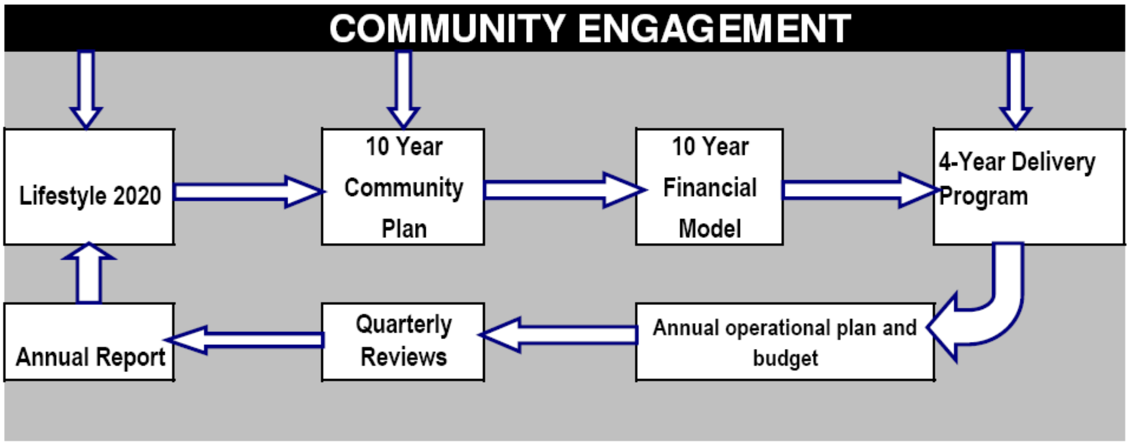

Diagram 1: Relationship between community engagement and IPRF

The relationship between the requirements of the Bill aligns with organisational planning processes, and underpins community engagement strategies, as described in the next section. The above diagram demonstrates this relationship.

Further investigation and modelling is required to assist councils develop their strategic plans to meet the requirements. Similarly, consideration should be given to introducing standardised reporting and planning tools to assist local government implement the IPRF. If developed and adopted, this will provide opportunities to measure, compare and benchmark like councils. It also provides the ability for councils who understand and are proficient operating within the framework to assist or guide other councils establish relevant long-term planning tools.

The new strategic planning provisions will be phased in over three years, so that all councils have adopted the measures by 31 March 2012 prior to the next local government election in September 2012.

Diagram 2 below overlays the requirements of the IPRF, with LMCC's internal processes and the IPART recommendations. Also included is the Sustainability Levy, which is a special rate variation. This levy is intended to operate over five years, however, only one year is currently approved. LMCC is likely to apply for an extension to the levy taking into consideration IPART's Option B when making a submission seeking approval Ministerial approval.

The timeline indicates an appropriate introduction for Option B to take effect in the financial year 2013/2014, after the local government elections in September 2012. This will allow newly elected councillors to participate in the consultation and budget process. By having a longer consultation stage and avoiding the election campaign period, it is hoped that there will be less likelihood of electioneering and politicisation of the budget process.

Planning/Budgeting/Reporting Framework

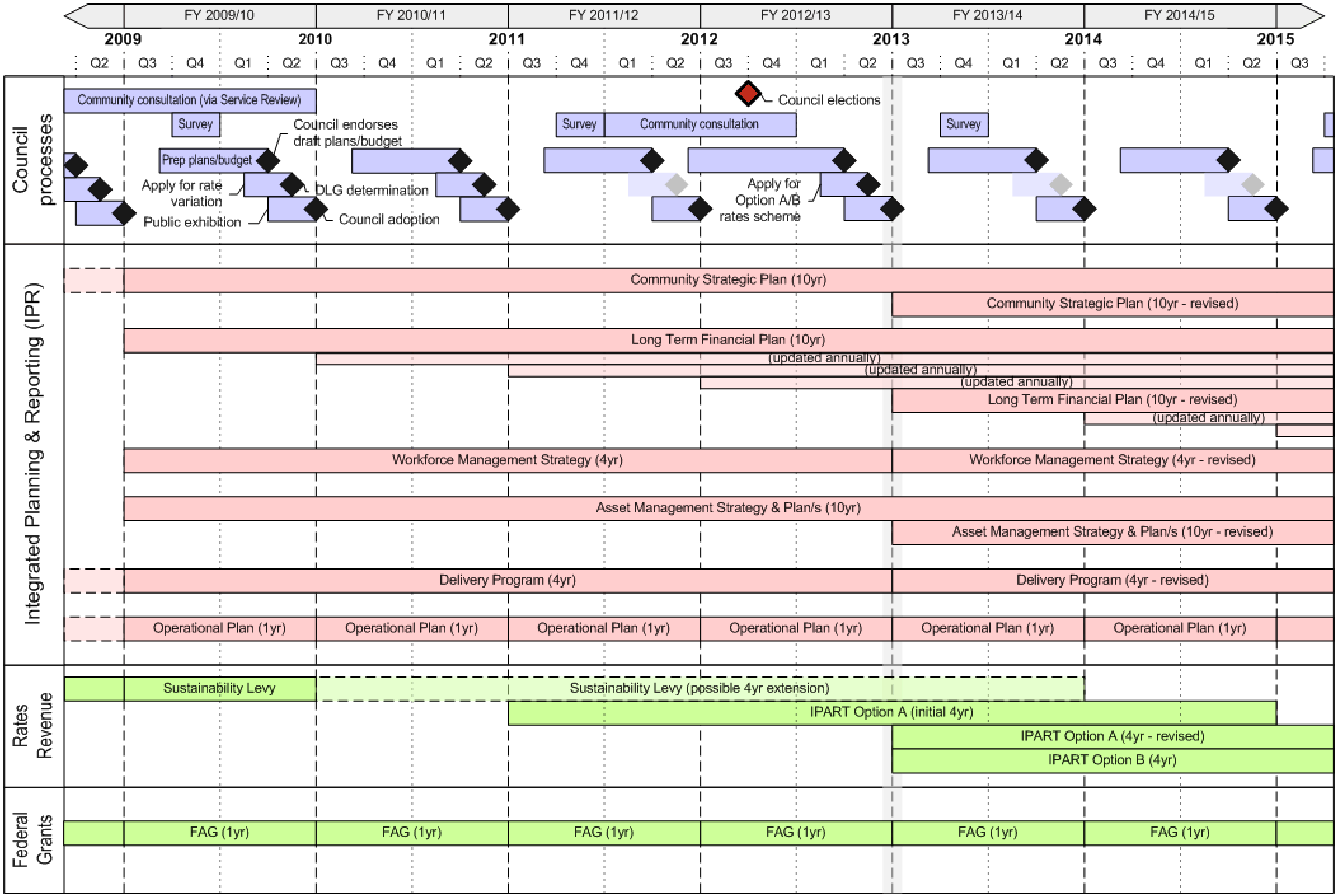

Diagram 2: Planning/Budgeting/Reporting Framework

FAG = Financial Assistance Grants
Sustainability Levy = Special Rate Variation

3. Public consultation and democratic input.

Public consultation and democratic input can be achieved through additional methods than those presented in the IPART draft report. LMCC does not support the voting option suggested in the draft report for those councils who meet the eligibility requirements under option B for the following reasons,

- Expensive – currently LMCC contributes approximately $1 million to run the local government election. A formal vote, whether it coincides with the election or held at another time, would have a significant impact on LMCC's expenditure.
- Competing for attention – clearly articulating a council's income and expenditure strategies during an election campaign would result in an overwhelming no vote from the public.
- Electioneering – a council's income and expenditure strategies would present an opportunity for candidates to politicise the budget process.

The survey option represents the most logical and efficient alternative providing the greatest opportunity for community input. However, the recommendations made in the draft report would be extremely costly and difficult to achieve.

IPART suggests:

- *At least 25 per cent to 30 per cent of ratepayers would be required to participate in the survey.*
- *At least 50 per cent to 60 per cent support for the proposal in order for it to pass.*[5]

Lake Macquarie has approximately 77,000 residential ratepayers; meaning over 19,000 people would need to participate in a survey. This recommendation would be an impediment to moving to Option B and most councils would not be able to afford or could justify the cost to the community. To achieve 25 per cent to 30 per cent participation in the survey by ratepayers would be extremely difficult, expensive, and time consuming.

For example, based on recent work completed on behalf of LMCC, the cost of conducting a telephone survey of 1000 randomly selected residents is approximately $40,000 (depending on number of questions asked).

Survey sizes of less than that recommended by IPART will result in statistically reliable and meaningful information.

According to advice provided by Essential Research:

> *"Properly constructed sample surveys can provide results that are described as statistically reliable. The level of statistical reliability is dependent upon the sample size and (except where it is extremely small) the size of the population has no practical effect. A survey of 400 respondents will provide results that are – at the 95% confidence level – subject to a sampling variation of between 3% and 5% at the total responses level. Sub-samples, because of their smaller size, will exhibit larger sampling variances."*

Surveys alone will not produce the type of result we are seeking, it will simply provide a one dimensional input to the consultation process. We consider this a starting point to consultation or evaluation mechanism, as part of an overall engagement process.

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[5] IPART, p. 178

A more effective system would require sufficient flexibility to include varied methods of informed participation, dialogue and surveying. Crucial to this would be the ability to include all residents in the survey rather than simply ratepayers. Obviously, surveying ratepayers would be a relatively simple process to undertake by including a survey with rates notices or by conducting telephone surveys. However, this would discriminate against residents who rent rather than own their own home or people who work in the City or regularly visit the City. LMCC believes that a system that includes all residents would be a more equitable way for community input into the long-term development of the City.

LMCC's Community Engagement Strategy outlines a framework for a consistent and coordinated approach to community engagement by LMCC. We consider effective community engagement as a planned process of two-way communication between LMCC and the community that involves the community in problem solving and input into decision-making. This includes the 10-Year Community Plan and the 4-Year Delivery Program, requirements of the IPRF.

LMCC's community engagement structure is based on the public participation spectrum developed by the International Association for Public Participation[6].

Depending on the issue, the decision to be made, and the stakeholders involved, council officers choose one of four levels of engagement (consult, involved, collaborate, empower), with a commitment at all levels to keeping all stakeholders informed of relevant information.

LMCC welcomes the participation of residents and it has been a decision to improve how we engage and consult with the community in order to increase the meaningful input that residents can have in the development of the City.

The importance of getting people involved in the decision making process cannot be overstated. We are continuing to find ways of increasing the participation of residents.

Under the IPRF requirements, local governments must undertake significant community consultation. This however can be difficult to measure due to the different strategies that are adopted by a council. Dialogue with the community occurs in the following ways (as a minimum):

- Service Review - LMCC is currently undertaking a significant audit of the over 240 services we provide to the community to determine whether we are providing the right mix of services, as well as finding ways to improve or find efficiencies to ensure the service is relevant today. Crucial to this process is consulting with the community, not only to get feedback but to have people actively participate in the decision making process on the particular service. Community engagement is an opportunity to better deliver on the aspirations and expectations for the people of Lake Macquarie. As well as consulting with the community whilst looking at individual services, we have formed a community advisory group. This group of 30 people is representative of Lake Macquarie residents – charged with directly assisting LMCC examine and consider the recommendations made by staff groups on each review of a service.

- Community Survey – a biennial community survey of 1000 randomly selected residents. This survey gauges satisfaction levels of LMCC services will be completed by the end of 2009.

- Public exhibition of annual budgets and plans,

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[6] International Association for Public Participation, viewed on 1 September 2009, <http://iap2.org/>

- Special Rate Variation (extension of Sustainability Levy) – significant consultation occurs during the application process.

Our Sustainability Department, responsible for improving and protecting our environment, has adopted an outside the square approach to addressing climate change. The model, know as deliberative democracy, works on the principle of empowering the community to make decisions – create, adopt, and implement a plan to deal with climate change issues. The local community makes these plans with assistance from LMCC. To date, communities at Dora Creek and Swansea have participated in a local area community empowerment project, with Charlestown East and Belmont planned for the near future. The response and level of participation has been extremely positive, this model could be adopted for other LMCC activities/services.

Local government must embrace new technologies and methods of engaging with the community. For example, LMCC uses Twitter to update residents about what is happening at LMCC and around the city. Our aim is to inform people of what is happening around the City, and better communicate with those using mobile devices. It is an opportunity to quickly and concisely remind the community of events, ask for opinions, and alert breaking news.

Whether it is through online communication tools like Twitter, social networking pages (such as Facebook) and interactive websites, or traditional methods such as community forums, telephone and paper surveys, and workshops, LMCC is committed to increasing community participation in the decision making process.

Conclusion

The IPART draft report is a welcome advancement in addressing the long-term financial sustainability of local government in NSW. However, improving the rate pegging restrictions is only one piece of the puzzle. Significant work must be undertaken in order to truly tackle the issues facing local government, including how to deliver the facilities and services desired by our community. Lake Macquarie's 10-Year Community Plan while setting the long-term vision for the development of the City is only an aspiration document and cannot be fully funded. The challenge facing local government is balancing what the community wants with what people are prepared to fund. Clearly articulating this to residents will be paramount to any council's successful transition to Option B in the IPART draft report.

A cultural change is required to better inform and engage with the community so that residents can have meaningful input into the decisions that affect them. LMCC has embarked on a strategy that will help meet these challenges through new methods and technologies to engage with the community.

We are looking forward to the final report with the inclusion of the issues raised in this submission. We also look forward to the recommendations being adopted by the Government in the near future.

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