

Dear Sir,

Please accept this submission to the draft report referred to above.

I make this submission as an officer of Great Lakes Council. The submission is a personal one in my position of Director of Engineering Services of the Council. I have neither sought nor received the support of Council in making this submission. I understand that Council will be making a formal submission on the draft report.

GENERAL

Whilst it is appreciated that the report examines a multitude of opinions and attempts to rationalise those opinions it is difficult to logically respond to the many contradictions and generalisations contained in the report. Throughout the report there is evidence to show the wide variety of circumstances being experienced by Councils and the vast differences between the 'haves' and the 'have nots' or between rural and city Councils and yet the recommendations generalise and average to the point where this class difference is increased. Those Councils that have the finances to get their systems in order are able to escape from rate pegging while those that are financially exhausted are further penalised because they are unable to afford the systems required to obtain independence.

As a Council Engineer and a ratepayer I am concerned that IPART demonstrates a lack of practicality in its assessment of the present situation and presents a structure that is naive and lacks practical application and long term benefit for the community.

My comments are based on 30 years as a local government engineer and I will provide specific examples relating to Great Lakes Council to demonstrate my concerns.

IMPACT OF RATEPEGGING

The report indicates that capital expenditure by NSW councils is lower and has grown more slowly than that of councils in other states and, in contrast, operating expenditure has grown more rapidly in councils in NSW compared to other states. This comment is used to demonstrate that NSW councils have not been impacted by rate pegging.

Comment: The majority of capital expenditure in local government, other than major projects, relates to asset renewal, ie the replacement of assets which have passed their economical life. The inability to finance this replacement means that Councils must maintain many inefficient assets which are expensive to maintain. Unlike other businesses, councils rarely have the ability to jettison uneconomical assets. Most assets, such as roads and community buildings, must be kept in service irrespective of the cost. Unlike State Government, which is able to transfer such assets to local government, there is no lower level which is accountable to the community to which these assets can be disposed of.

Rate pegging has clearly had an impact on NSW councils, particularly rural councils. In Great Lakes the situation has been reached where, after many years of reducing asset renewal under its roads program, there is now no option but to close community assets, even though this will outrage the community. Council has recently resolved to close one of its swimming pools and two of its Visitor Information Centres as a result of the Minister's rejection of a rate increase. The Minister is not accountable to the community for this decision.

IPART approved a 20% increase in electricity charges from July 2009 on the basis that it was needed to replace aging infrastructure, yet there appears to be a perception that Local Government infrastructure is ageless. Where was the Minister when this decision was made? IPART's decision was probably correct with regard to electricity infrastructure and yet Local Government is expected to not only continue to

operate with aging infrastructure but to also absorb the 20% increase in street lighting charges under a 3.5% rate increase.

ACCOUNTABILITY

Throughout the report there are references to Councils being directly accountable to the community in ways that other utilities are not. Yet the system of rate pegging is supported in direct contrast to these comments.

Comment: The example used in the previous item shows how the Council is accountable to the community yet it can be overridden by a Minister that is unaccountable to that community. The reasons given by the Minister were baseless and have incensed the community.

The proposal to provide a Local Government Cost Index is an improvement on the information available to the public, and is wholeheartedly supported, but the recommendation still gives the Minister the opportunity to ignore that advice and make an arbitrary decision supported by baseless reasoning. Past experience has shown that the Minister can invent reasons for his/her decision and there is no opportunity to cross examine the reasoning. As an example Great Lakes Council's application for a rate increase was refused several years ago and the reason provided by the Minister was that Council did not have Asset Management Plans in place. The facts were that Asset Management Plans were not a requirement of Councils at that time, no-one from the Department or the Minister's office sought comment on whether Council had Asset Management Plans in place and, in fact, such plans had been adopted several years earlier by Council for its major asset groups.

The most recent rejection of Councils rate increase application again shows the ability of the Minister to ignore reality. Council has recently been reviewed by the Department of Local Government under an efficiency review and received an exceptionally good report. However the Minister, in her rejection of the application for a rate increase, suggested that Council should look to achieving efficiencies in its operations.

The reality is that the system proposed still leaves the decision to the whim of the Minister.

Page 54 of the report provides a pertinent observation that is totally ignored in the recommendations:

'Policies should always be made at the lowest possible level of government.....this principle is relevant to the review of local government revenue regulation.'

ALTERNATIVE INCOME SOURCES

The report refers to the ability of NSW Councils to replace lost rate income through increases in user charges. The report also indicates that this opportunity has become harder in recent years and will get increasingly harder.

Comment: This is another generalisation that ignores the reality for rural and many regional councils. The report refers to the fact that city councils have been able to make up shortfalls by increasing user pays such as parking fees and fines. However this opportunity has not been available to rural and regional councils. Council is aware of instances where city councils are able to generate income from parking fees and fines equivalent to their rate income. For this reason Great Lakes Council recently examined the feasibility of introducing paid parking in its commercial and tourist areas. In the local commercial areas the result would have been to drive patrons towards the fully contained shopping complexes run by multi-national companies such as Stocklands and Woolworths. This would have decimated the

local shopping precincts and locally owned businesses, so was rightly rejected by Council. In the tourist areas it was found to be feasible but would have generated an income of approximately \$70,000 per annum, equivalent to a rate increase of 0.3%. Because of the minimal income and the adverse impact on ratepayers this proposal was also rejected by council.

Rural and regional Councils do not have the same opportunities to introduce user pays because they are taxing their ratepayers, whereas city Councils are obtaining user fees often from residents of other LGA's whom they are not accountable to.

Where rural councils do have an advantage over city councils with regard to user charges is in the area of user pays for water and sewerage and many rural councils have had the ability to increase these charges to offset the loss of rate income. However, in the case of Great Lakes Council, water and sewerage services are managed by a separate local government body, Midcoast Water, which was established in 1997. The fact that this organisation has been able to fund two new administration buildings, an entire administration function and be operating without any significant financial restrictions shows the extent of funding lost by Great Lakes Council. In 2009/10 charges to Midcoast Water were increased by 12% because there is no rate pegging on these services. Not only does Council receive no benefit from this increase, it has to pay the increase in fees within the framework of a 3.5% rate peg limit.

Developer charges are also referred to as alternative income sources. However, such charges are entirely allocated to new works and are of no financial benefit to Councils in terms of overcoming backlogs. In fact, developer contributions often result in costs for Councils by way of council's apportionment of the costs of the new infrastructure.

SPECIAL VARIATIONS - TABLE 3.2

This table shows the number of councils who sought increases in rates beyond the rate peg limit and those that were approved. The commentary indicates that 22 of the 152 councils in NSW sought increases. The table shows that Great Lakes Council sought an increase of 14.31% and this was approved

Comment: The fact is that this was not an increase. It was a continuation of a previous rate increase of 11.11%, which was originally approved in 2001 with an initial 5 year time limit, plus the rate peg limit of 3.2%. It is clearly erroneous to imply that this was an increase beyond the rate peg limit. The original approval was for ongoing programs and the decision to approve the increase for a 5 year period was simply ridiculous.

At the time this renewal was announced by the Minister it was done in a manner that residents were lead to believe that this was a further increase in rates from the previous year. This again indicates the farcical provision to allow the Minister total control and the lack of accountability of both the Minister and the Department of Local Government to the residents of Great Lakes.

COMMUNITY PARTICIPATION

The indications in the report are that Councils would be required to survey 25 to 30% of ratepayers and achieve 50 to 60% support for any rate increase beyond the rate pegged limit.

Comment: This suggestion shows a naivety beyond belief. Council surveys its residents from time to time for planning purposes and will be undertaking a considerable amount of consultation in conjunction with the Integrated Planning process so it is aware of the costs of such an exercise. Council currently surveys 500 to 600 residents regularly and this has been independently assessed as being a

representative sample. The proposal to survey 25% to 30% of residents would require a survey of 7,000 to 8,000 residents. It has been stated by others that Councils would need a rate increase to pay for the surveys and this view is totally supported.

With regard to the need to gain 50 to 60% acceptance, this clearly will never happen. Very few people openly support paying more for a service and rightly will only do so when they are getting increased services in return. For a community of varying interests it would be necessary to provide increased facilities across the shire so that each community achieves extra services in order for a 50% support level to be achieved. As an example, Council recently increased its Environmental Levy by 1% to undertake additional dredging for recreation and environmental reasons. This does not benefit the rural community so it would have been unlikely to achieve 50% support level. Likewise a current proposal to provide a new swimming pool for the community of Nabiac, which is some 20 minutes from the coast, is 100% supported by the Nabiac Community. If this proposal was submitted to a shire wide survey it is unlikely to be supported by the ratepayers outside Nabiac. These examples show the naivety of the suggestion. The diversity of the Great Lakes prevents a shire wide survey for increased rates ever succeeding unless it was for shire wide facilities.

VOTING OPTION

The alternative to the survey is suggested to be an option whereby the program of works is an item for election debate and Councils will apply to the Minister on the basis of the mandate they receive.

Comment: This suggestion again ignores the reality of Council elections. Councils are not run on a party basis in the majority of cases outside the metropolitan area. Rural Councils are generally made up of individuals standing on individual or area issues. In the case of Great Lakes the 9 sitting councillors were all elected and made up the 9 councillors in the new Council. Each team standing for Council had a differing view and the most Councillors elected from one team at the last election were 2, so to suggest that this gives some type of common mandate is simply erroneous. The difference between Federal, State and Local Government in this regard is recognised in the report, but is totally ignored in the recommendations.

CONCLUSIONS

The above comments clearly show the frustrations of staff, who have worked in local government for many years, who have the best interests of the community at heart, and who are continually being frustrated by systems which have no recognition of reality. The IPART Report was seen as an independent review of the system which would overcome many years of underfunding that has led to a deterioration in community assets and a poorer community as a result. Unfortunately the report findings do not appear to be reflected in the recommendations.

Clearly the report gives the impression of either a lack of independence in IPART or terms of reference that remove the ability for independent recommendations.

Rate pegging served its purpose in the early years but has outlived its life and is impacting on the ability of Councils to adequately maintain its assets. Councils are supposed to be leaders in the community but are being dictated to by a State Government Minister who is unaccountable to the community. Councils expected a system to replace rate pegging but what has been delivered is rate pegging in a different form. The only benefit to come from the enquiry is the recommendation for an independent cost index, but unfortunately, as stated several times in my response, the Minister still has the ability to ignore this index.

If you are still reading, I would like to thank you for your patience and trust that these comments can be taken on board as a reflection of my personal views.

Ron Hartley

Director Engineering Services
Great Lakes Council