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SHIRE COUNCIL

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Independent Pricing & Regulatory Tribunal
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REVIEW OF REGULATORY FRAMEWORK OF LOCAL GOVERNMENT – DRAFT REPORT

I wish to make the following submission in regards to the above draft report and thank the tribunal for making such an opportunity available.

The comments provided are short and succinct and based upon my attendance at the recent IPART Inquiry Public Meeting held in Wagga Wagga and also my 27 years as a Local Government practitioner.

Council believes the recommendations proposed in the report are “soft” given the significant ongoing reform in regards to Local Government via integrated planning and reporting changes, and the independence of the Tribunal in being free to make an appropriate recommendation to abolish rate pegging as supported by the majority of the industry, to the Government of the day.

It appears a small incremental step is the view supported by the Tribunal in regards to bringing about change in an area that has been an issue for over 30 years in NSW. Council would hope the independent Tribunal would recommend the abolishment of rate pegging in NSW as in every other State and Territory and then let the Government of the day make a bold decision.

Information to support the above commentary is:

- The Tribunal’s own information and the verbal advice provided is that all other States that have been free of rate pegging that NSW with rate pegging is no better and/or worse off than any other State after 30 years – so why have it?



- Information provided and held by the Tribunal show that the financial position of NSW Councils following in excess of 30 years of Government imposed rate pegging leaves NSW Councils no better or no worse off financially than other Local Government Authorities in Australia – so why have it?
- Local Government Authorities in NSW are “trusted” with making key long term infrastructure and financial decisions in regards to water, waste and sewerage operations (for those responsible for water and sewerage) and yet somehow, Councils “can’t be trusted” to make decisions in regards to roads, sporting fields, pools, libraries, etc.
It is considered that if the Tribunal was truly independent and has the information as detailed above, it would be bold enough to suggest the abolition of such an arbitrary archaic system used by Governments for purely “political” reasons.
- Council fully supports the Tribunal’s finding that there is a clear lack of transparency in regards to current determinations of rate pegging limits in NSW and clearly such determinations over 30 years have not allowed Councils to cover their costs, principally brought about by factors outside their control; cost-shifting from Federal and States Governments; State Award increases; increased NSW Government Agency fees – RFS, SES, Valuer Generals; increased planning requirements; increased employment related costs – OH&S etc; and increased financial management reporting costs, such lack of transparency need fixing.

Council notes that the tribunal recognises the significant backlog issues facing all Councils in NSW in regards to infrastructure and does concede that the reliability of such backlog figures can certainly be questioned and need closer scrutiny prior to determining a way forward. However, Council cannot see anywhere in the Tribunal’s draft report and recommendations a mechanism to allow a form of catch up, not just for backlog infrastructure, but for shortcomings in the rate pegging increase determinations over the last 30 years for Council versus cost increases incurred, within the Tribunal’s recommendations.

The development of a Statewide cost index to Council will not be relevant and/or practical and whilst Council does not support 152 LGA cost indexes, Council would have thought that it would have been possible to have say three cost indexes, one for rural Local Government Authorities under a certain population threshold or distance from a regional centre, one for coastal Councils, and one for metropolitan Councils including major regional Councils in order to more precisely assess the cost impacts. The tyranny of distance and the accessibility to supplies, materials, and contractors in Sydney City Council versus Bourke Shire Council for example, and indeed our own Council will vary greatly.

In regards to the recommendations, our Council would support recommendation B subject to the onerous conditions being lessened because it really is a “chicken and egg” recommendation. The Tribunal acknowledges that the majority of Councils do not have appropriate asset reporting, financial reporting, and monitoring systems in place, and in order to get to Option B, these need to be in place, however, the issue of resources, both human and financial, to get to first base as proposed for Option B is not catered for in the Tribunal’s recommendations.

That is, Councils are not able to get to Option B without significant increased revenues from somewhere and staff resources to comply with the suggested criteria required. Whilst Council is cognisant of the Tribunal’s comment that ratepayers versus the Local government industry support the continuance of rate pegging in NSW, it is suggested that if the Tribunal was to truly provide detailed information to all residents in regards to the cost of services, infrastructure, and future increased improved infrastructure, that the majority of NSW residents would support the abolition of rate pegging in their area. It is suggested that the majority of residents who prefer rate pegging are uninformed, is a bit akin to asking residents would they like a new heated swimming pool - answer = yes; would you like to pay \$100 more on your rates bill to have such a facility – answer = no.

Council would also like to suggest that the Tribunal very seriously consider making a bold third option available in the final report to the Government and that be, given all the evidence and documentation compiled and held by the Independent Tribunal in regards to the impact of 30 years plus of rate pegging in NSW compared to other States (particularly as the evidence in regards to the financial viability and infrastructure issues) that the NSW Government for a four year trial period (remember rate pegging was brought in as a trial only 32 years ago) provide Councils the opportunity to communicate more closely with the ratepayers via an improved Management Plan process and consultation and not set a rate pegged amount for the period of the four year plan provided by Council to the community and to the Government.

Council feels this would be a bold and proactive measure in order to see how the 152 Councils manage this opportunity without “gilding the lily”.

It is suggested to the Tribunal that at the ballot box, those Councils that appear to be irresponsible in their financial management and increases imposed on the Local Government area they were elected to represent by the people, that democracy will be well served through the ballot box. Surely if the State and Federal tiers of Government are serious about autonomy, productivity, and proactiveness, that the community can be trusted to live in judgement of the actions of the elected Councillors every four years.

In summary, Council supports Option B, with a significant winding back and/or a revision of the constraints required to become an Option B Council (along with a change of terminology from Earnt Autonomy - parent - child) along with ensuring a factor is provided at the option or discretion of Councils called a backlog infrastructure increase factor in any of the terminations sought by Councils for the four year period.

The above along with strong consideration of Council's other suggestions as detailed.

I again thank you for the opportunity to comment on the draft report.

Please do not hesitate to contact me should you require further information.

Yours faithfully

A handwritten signature in black ink, consisting of a large, loopy initial 'B' followed by a horizontal line and a small flourish.

B J Pearson
General Manager