



**CORPORATE SERVICES DIVISION**  
Financial Services

17 September 2009

Review of Regulatory Framework for Local Government – Draft Report  
IPART  
PO Box Q290  
QVB Post Office NSW 1230

Dear Sir

**Re: Willoughby City Council – Regulatory Framework for Local Government**

Please find attached Council's submission to the IPART Review - Regulatory Framework for Local Government.

Council objects to rate pegging, particularly the politicised, "black-box" method currently used. Council's should have the autonomous authority to set their fees, charges and rates.

The process as proposed is not dissimilar to the current process with the Minister having the discretion to determine the increase.

The process should involve adequate community and ratepayer consultation before and during the process of developing the Management Plan with each council determining their fees, charges and rates.

Please contact Anthony Pizzuto on 9777 7505 if you require further information or clarification of the points made in the Submission

Yours faithfully

Anthony Pizzuto  
FINANCIAL SERVICES DIRECTOR

## Willoughby City Council – Regulatory Framework for Local Government

### IPART Recommendations

#### Recommendations 9 - 12

The Draft Report in Appendix H argues that the CPI does not accurately reflect local government costs and an index would better approximate local government cost pressures.

Willoughby agrees with this conclusion. This issue is highlighted each year during Annual budget preparation.

IPART proposes to develop an average LGCI for all councils across the State. We appreciate that the index will determine cost movements as opposed to base costs. However, in any averaging situation there will be those councils where that average is less than the actual cost increases. These are more likely to be the remote country councils already stretched financially.

The regulation of local government revenue through the rate pegging framework has been cited many times as one of the main reasons for the financial *un-sustainability* of some councils.

Willoughby is therefore not convinced that an “average LGCI” can produce a fair rate cap for all regions across that State. A regional or classification based methodology may produce a workable result.

IPART in Recommendation 11 introduces the “productivity adjustment factor”, apparently needed to “encourage efficiency in local government”. There is no clear discussion of what the adjustment factor would be. Presumably it will be a discount of the cost index to further encourage councils to do the same, or more, with less in real terms.

#### Recommendations 13

This recommendation that gives the “discretion and flexibility” to the Minister to determine the increase takes the process back to where it is currently.

The recommendation provides the opportunity for the “political” to influence the decision, regardless of whether reasons are given for any departure from the index proposed.

The development of the LGCI by IPART is an additional and possibly wasted additional layer of bureaucracy given Recommendation 13.