

(by E-Mail)

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Mr James Cox
Chief Executive Officer and Full Time Member
Review of Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
P O Box Q290
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Dear Sir

NSW INDEPENDENT PRICING AND REGULATORY TRIBUNAL REVIEW – REVENUE FRAMEWORK FOR LOCAL GOVERNMENT

Ref: SMB/AMK/SF3786 99220/2008

I refer to your letter dated 7 August 2008 inviting submissions in respect of the *NSW Independent Pricing and Regulatory Tribunal's (IPART) review of the Revenue Framework for Local Government* and submit the following comments and views in respect of the Terms of Reference for the review and the issues raised within the Issues Paper dated July 2008.

Council acknowledges that IPART has been requested by the Premier of NSW to assist the Department of Local Government by conducting a review of the regulation of council rates and charges in NSW. The review will be undertaken by IPART pursuant to Section 9 of the IPART Act and is to investigate and make recommendations to the Minister for Local Government in respect of the following two matters relating directly to NSW Local Government:

- 1 An appropriate intergovernmental regulatory framework for setting rates and charges that facilitates the effective and efficient provision of Local Government services.
- 2 A role for IPART for setting rates and charges in future years.

Council also understands that the Terms of Reference require IPART, in undertaking this review, to have regard to a range of matters, including:

- the role of Local Government in delivering infrastructure and services to the community;
- the current and future financial position of Local Government and the scope for efficiencies;
- all the revenue sources available to Local Government ;
- the socio-economic impacts of rates and charges, including the ability of families and pensioners to meet their rate obligations;
- differences between metropolitan, regional and rural councils;
- the findings of recent reviews of Local Government;
- the matters in Section 15 of the IPART Act.

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1 IPART Public Consultation

Council notes on Page 3 of the Issues Paper that IPART will undertake extensive public consultation involving face-to-face consultation with key stakeholders, including holding public round table workshops and conducting regional meetings with councils.

Tamworth Regional Council offers to act as host Council and extends an invitation to IPART to conduct a regional meeting in Tamworth to explore and debate key issues raised in submissions which IPART considers more information should be obtained from councils. Council will act as host and provide an appropriate venue and other services for IPART should the invitation be accepted.

2 Options for Alternative Regulatory Frameworks

It would come as no surprise to IPART to be informed that Council is opposed to any form of regulatory framework which would limit Council's ability to raise revenue from rates and charges and place limits on the autonomy of Council to determine rates and charges annual increases based on local circumstances and factors. However, Council is astute enough to recognise that mandatory State Government controls over Local Government rates and charges are politically and electorally popular. Council is aware that the Minister for Local Government favours a continuation of rate pegging (*Issues Paper p.64*) and as a consequence, rate pegging or regulatory control over increases in Council's major revenue source will continue unabated.

Taking a pragmatic view and approach Council favours the following options outlined in the IPART Discussion Paper:

IPART Option 4 – Maintaining Rate pegging Power but promoting greater freedom by exempting individual councils from rate pegging subject to a mandatory demonstration of:

- financial accountability and governance
- financial sustainability
- comparative efficiency and effectiveness indicators
- ability to achieve the above objective criteria over a 10 year timeframe through an approved and independently audited 10 Year Community Strategic Management Plan which would be audited and publicly available.

This option would sit very comfortably with proposed amendments to the *Local Government Act* which would see the introduction of a 10 year timeframe for Council Management Plans rather than the current provision for only 3 years.

IPART Option 5 – Institute measures to enhance accountability to the local community and remove mandatory rate pegging.

This option would include compulsory reporting on a comparable basis to enable comparisons between councils and where a council fails to meet the strict criteria, a default rate capping would apply.

In conjunction with either Option 4 or 5, Council is of the view that IPART should be responsible for assisting the Minister for Local Government in determining default rate caps and maximum rate caps under either Option. Council is of the view that IPART has the analytical experience and would undertake a transparent public process in recommending default levels of rates and charges increases; and maximum rates and charges increases to the Minister for Local Government. Council accepts and acknowledges that ultimately responsibility for any decision, having regard to the advice and recommendations received from IPART, rests with the Minister.

The legislative framework for IPART's involvement in the determination of maximum rate pegging limits for annual rates and charges could be easily affected by amendment to the Local

Government Act providing for IPART to play a determinative role in providing recommendations to the Minister for Local Government.

In support of Council's preference for either Option 4 or 5 of the IPART Discussion Paper, it is requested that the following factors be taken into consideration:

3 Pensioner Rate Rebates

At present, the New South Wales Department of Local Government is only required to reimburse local councils through the pensioner rate rebate scheme for 55% of the concession. Individual councils are required to fund the remaining 45% of the concession from their own resources. The amount of 45% equates to the sum of \$852,037.18 in respect of Tamworth Regional Council for the 2007/2008 financial year.

This figure will increase exponentially as the population ages and increases in numbers as a percentage of the total population. Given that the granting of pensioner rate rebates is a social justice policy of the State Government, Council is of the view that the full amount of a pensioner rate rebate should be funded by the State Government. However, Council would be equally satisfied if the pensioner rate rebate amount funded by individual councils be factored into the methodology for determining maximum annual rates and charges increases.

4 Local Government Cost Index

The attached Schedule table provides comparative increases over years of the cost of major inputs to Council's service delivery to the local community. Council is aware that the annual maximum allowable ordinary rate increase reflects the projected annual increase in cost that a typical council delivering services at levels comparable to the previous year is likely to incur in the current year. However, Council would argue that the mix of costs for a typical council does not reflect actual cost increases of the principal cost inputs to Local Government service delivery. Council would argue for a wider and more relevant basket of cost inputs to service delivery on which annual maximum allowable rates and charges are based.

5 Cost Shifting

IPART would be aware that in late 2007 the Local Government and Shires Association of NSW conducted an online survey to quantify the extent of cost shifting onto New South Wales Local Government by State and Commonwealth Governments. The online survey was undertaken to provide and establish factual information to support the argument of Local Government that cost shifting is significant and that it must cease.

IPART would also be aware that the Independent Enquiry Into The Financial Sustainability of New South Wales Local Government held in 2006 conducted a cost shifting survey as part of the overall enquiry and established at that time that the total burden of costs shifted to New South Wales Local Government from other levels of Government was approximately \$430m per annum.

Tamworth Regional Council participated in the LGSA online survey and is within the classification of urban regional. The total amounts of costs shifted for the financial year 2005/06 was identified at \$4,199,207 which represents 5.87% of Council's total income and for the financial year 2006/07, the total amount identified for cost shifting for that year was \$4,419,020 which represents 5.66% of the Council's total income. In summary over the two financial years 2005/06 and 2006/07, costs shifted from other levels of Government to Tamworth Regional Council amounted to the sum of \$8,618,227.

In the determination of maximum allowable annual increases of rates and charges for Local Government under rate pegging Options 4 & 5 of the IPART Discussion Paper, Council contends that costs shifted from other levels of Government to Local Government should be factored into any methodology developed for the implementation of either Option.

6 Regional Service Provider

Tamworth Regional Council was created following the amalgamation of Barraba Shire Council (part), Manilla Shire Council, Nundle Shire Council, Parry Shire Council (part) and Tamworth City

Council on 17 March 2004. The governing body consists of 9 elected Councillors. Council has a workforce of 545 employees, an area of 9,653 square kilometres, serves a population of 54,226 and has one large Regional City, 3 Towns and 14 Villages/Hamlets/Localities within its area.

The Council provides a broad range of services and facilities for the regional and wider community, including:

- 6 Libraries
- 13 Landfills
- 5 Sewerage Treatment Plants
- 4 Water Treatment Plants
- 1,338 kilometres of Sealed Roads
- 1,965 kilometres of Unsealed Roads
- 82 Timber Bridges
- 101 Concrete Bridges
- 6 Swimming Pools
- Roads and Drainage Services
- Water and Wastewater Services
- Regional Library and Art Gallery
- Regional Entertainment and Cultural Facilities
- Regional Performing Arts Centre
- Australian Equine and Livestock Events Centre
- Regional Sporting Complex
- Regional Airport
- Regional Livestock Marketing Centre
- Regional Water, Wastewater and Materials Testing Laboratory
- Regional Museums
- Regional Economic Development
- Regional Service Centre
- Regional Botanic Gardens
- Regional Waste Management Facilities
- Regional Tourism Services and Structures.

The Regional Service Centre status of the City of Tamworth has existed since the early days of settlement. Tamworth is the focus of a strong regional community of interest has developed and evolved from that time. The regional community of interest is broad and varied and encompasses all of the following areas.

- hospital and medical
- education
- retail
- sporting and recreational
- cultural
- social
- business and financial
- employment
- co-operative tourism marketing and development
- co-operative economic development and marketing

Tamworth Regional Council and the City of Tamworth is clearly a regional service centre servicing approximately 200,000 residents of the New England and North Western Regions of NSW. Council owns and operates the following major regional facilities which provide social-economic infrastructure and services to the Region, State and Nation.

6.1 Regional Airport

Tamworth Regional Airport has a combination of facilities, advantages and infrastructure quite unlike any other airport in Australia and with few equals anywhere in the world. Local ownership ensures that locally elected representatives and senior staff are on hand to ensure that necessary decisions are made promptly and with full regard to local needs.

The main runway 12L/30R is capable of handling aircraft up to B737 in all weather conditions. There are two grassed cross-strips for light aircraft operations. An \$11 million airport upgrading works were completed in August 1993. These works included a new parallel 1100 metres sealed runway 12R/30L together with associated taxiways. A new category 1 ILS system was also commissioned and it is primarily used as a training aid for BAe Systems Flight Training Australia, the airlines, military and general aviation.

6.2 Australian Equine and Livestock Events Centre

Tamworth is recognised by many as the sporting and performance horse capital of Australia. The City is recognised as a thriving equine centre and boasts four major equine associations head quartered in Tamworth. Tamworth and surrounding areas have become a major breeding centre with studs producing many champions each year in sporting and racing pursuits. Due to Tamworth's pivotal positioning in the equine industry, the Council made the decision to build a National Equine and Livestock Events Centre on the southern approaches to the City of Tamworth which was completed in July 2008 at a cost of \$30million.

The Centre is located on a 22-hectare site and comprises the main stadium design on two levels and a theatre-style selling ring. It has an indoor arena with capacity to seat 3500 and ultimately 5000, stables for 478 horses and ultimately 700, a covered stud selling area with seating for 660 which can double as a warm up area, and truck and camping facilities for at least 195 vehicles.

The Centre includes covered cattle yards, camp draft and outdoor arenas, and equine sporting fields and the TAFE equine and livestock educational buildings are located in the stable complex.

The State and Federal Government contributed grants of \$10.268million to the project.

Completion of the Australian Equine and Livestock Events Centre represents the culmination of a decade-long community quest which recognised the value of the equine and livestock industries and a desire to increase the Region's stake in future growth and development of those industries.

Equine and livestock events are worth more than \$45 million annually in the Tamworth region and already, over 120 separate organisations have shown interest in using the new centre when it is completed.

6.3 Tamworth Regional Entertainment and Conference Centre

The Tamworth Regional Entertainment and Conference Centre is a modern facility that incorporates the latest trends in venue design. This Centre, with a clear floor area of 4, 800 square metres and a seating capacity of up to 5,000, is the largest facility of its kind outside the NSW and south-east Queensland metropolitan areas. The Centre is capable of hosting some of the largest events under one roof.

The design of the Centre echoes the heritage of this unique region. Built to resemble a great Aussie woolshed, the venue's large central area, double pitched roof and surrounding service rooms typify it as a colonial 'bush' building. The design and materials of this venue, in addition to the extensive native landscaping. The facility incorporates an important structural consideration - flexibility. The multipurpose focus of the Centre makes it an ideal

venue to host a variety of events, which relate not only to the annual Country Music Festival, a key event on the Tamworth event calendar. The variety of possible events for the Centre is indicative of the capability of Tamworth to host events of all types, and sizes.

Council requests that in developing and adopting methodologies for implementation of **IPART Options 4 or 5**, factors relating to Councils' providing services not just to the community within its local government boundaries but to the wider community of the Region, the State and in some instances, the Nation be included.

Yours faithfully



Glenn Inglis
GENERAL MANAGER

Contact: Stephen Bartlett (02) 6767 5438

27 August 2008



spreadsheet for
attachment.xls

Att:

Tamworth Regional Council - Local Government Cost Index - Information for IPART Inquiry

		2003/2004			2004/2005			2005/2006			2006/2007			2007/2008			2003/2004 to 2007/2008		
		\$	% Inc.	CPI %	\$	% Inc.	CPI %	\$	% Inc.	CPI %	\$	% Inc.	CPI %	% Inc.	CPI %	% Inc.	CPI % to 30 June 2008	% Inc & CPI % Years	
Steel Prices	Bondeck	16.70	N/A	N/A	18.50	10.78%	3.50%	19.75	6.76%	5.70%	16.93	-14.28%	2.70%	27.04	59.72%	6.70%	61.92%	18.60%	4
	NF 72 Mesh				47.55	N/A	N/A	49.92	4.98%	5.70%	44.24	-11.38%	2.70%	76.32	72.51%	6.70%	60.50%	15.10%	3
	NF 82 Mesh				60.38	N/A	N/A	N/A	N/A	5.70%	56.20	N/A	2.70%	94.15	67.53%	6.70%	55.83%	15.10%	3
	Deformed Bar - All				1,215.00	N/A	N/A	1,300.00	7.00%	5.70%	1,170.00	-10.00%	2.70%	1,727.00	47.61%	6.70%	42.14%	15.10%	3
Concrete - RMC	3 x Mtrs N20				435.00	N/A	N/A	450.00	3.45%	5.70%	465.00	3.33%	2.70%	488.00	7.10%	6.70%	14.48%	15.10%	3
	3 x Mtrs K & G				450.00	N/A	N/A	459.00	2.00%	5.70%	474.00	3.27%	2.70%	510.00	7.59%	6.70%	13.33%	15.10%	3
Road Base	20mm Select Fill - Bulk				10.40	N/A	N/A	N/A	N/A	5.70%	12.20	N/A	2.70%	13.90	13.93%	6.70%	33.65%	15.10%	3
	DGB Limestone							18.00	N/A	N/A	19.20	6.67%	2.70%	20.50	6.77%	6.70%	13.89%	9.40%	2
Chemicals	Disinfectant	0.83	N/A	N/A	0.86	3.61%	3.50%	0.90	4.65%	5.70%	0.98	8.89%	2.70%	1.04	6.12%	6.70%	25.30%	18.60%	4
	Roundup	92.27	N/A	N/A	92.27	N/A	N/A	93.45	1.28%	5.70%	93.50	0.05%	2.70%	147.00	57.22%	6.70%	59.32%	15.10%	4
External Plant Hire								1,173.25	N/A	N/A	N/A	N/A	2.70%	1,371.16	N/A	6.70%	16.87%	9.40%	2
Construction contractors	Slate Rds - 14mm Reseal							2.75	N/A	N/A	N/A	N/A	2.70%	3.68	N/A	6.70%	33.82%	9.40%	2
	Local Rds- 10mm Reseal							2.12	N/A	N/A	N/A	N/A	2.70%	2.66	N/A	6.70%	25.47%	9.40%	2
Fuel costs	Unleaded - Bulk	0.745	N/A	N/A	0.859	15.30%	3.50%	0.923	7.45%	5.70%	1.170	26.76%	2.70%	1.479	26.41%	6.70%	98.52%	18.60%	4
	Diesel - Bulk	0.769	N/A	N/A	0.885	15.08%	3.50%	1.018	15.03%	5.70%	1.263	24.07%	2.70%	1.681	33.10%	6.70%	118.60%	18.60%	4
Wages																			
Electricity	Westdale Treatment Plant	2.045	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	1.995	N/A	6.70%	-2.44%	18.40%	4
	Shoulder Energy	2.042	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	1.995	N/A	6.70%	-2.30%	18.40%	4
	Off Peak Energy	1.021	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	1.2462	N/A	6.70%	22.06%	18.40%	4
	Peak Demand	486.70	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	719.25	N/A	6.70%	47.78%	18.40%	4
	Shoulder Demand	413.52	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	719.25	N/A	6.70%	73.93%	18.40%	4
	Off peak Demand	170.22	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	250.91	N/A	6.70%	47.40%	18.40%	4
	Network Access Charge	458.049	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	646.44	N/A	6.70%	41.13%	18.40%	4
	Meter Charge	254.00	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	295.00	N/A	6.70%	16.14%	18.40%	4
	Peak Energy	7.85	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	9.06	N/A	6.70%	15.53%	18.40%	4
	Shoulder Energy	6.49	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	9.06	N/A	6.70%	39.75%	18.40%	4
CPI = All Ordinaries - Sydney	Off Peak Energy	3.35	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	3.87	N/A	6.70%	15.33%	18.40%	4
	Network Access Charge	286.15	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	393.42	N/A	6.70%	37.49%	18.40%	4
	Meter Charge	254.00	N/A	N/A	N/A	N/A	3.30%	N/A	N/A	5.70%	N/A	N/A	2.70%	285.00	N/A	6.70%	16.14%	18.40%	4