

In Reply Please

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Review of Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
PO Box Q290
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SYDNEY NSW 1230



EUROBODALLA SHIRE COUNCIL

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Dear Sir/Madam

Thank you for the opportunity for this Council to make a submission in respect of the matters raised by IPART in its document "Revenue Framework for Local Government – Issues Paper". Please accept my apologies for the delay in getting this submission to you.

Effectiveness of rates pegging:

1. Council considers that on balance rates pegging is not effective and threatens the basis of "Local" Government.
2. While accepting that it would have a monopoly position (if rate pegging removed), this is countered by the democratic, consultative and professional processes required including the proposals for community plan, asset management planning and longer term financial plans.
3. Creates economic distortions in local economies.
4. There is irrefutable evidence that Councils have been unable to sustainably balance demands for new services and maintaining existing services at the same time State Government has been "cost shifting".
5. Causes excessive pressure on Council's for cash and the potential for risk taking that may be inappropriate in the public sector (for example the use of CDO's to create a positive margin on borrowing costs).
6. State Government has a direct conflict of interest in that it occupies a larger uncapped property taxation space (land tax) with no specific identifiable services and cannot identify value for money. For this reason the Council has additional concerns that further use of this "space" is about to take place if State Government moves to use it to recover Fire Services costs. State Government is already doing that via land tax and should not use this space more than once (if at all).
7. State Government spends money from Council budgets, for example elections and bush fires with no apparent regard to rates capping constraints.
8. Determinations do not adequately address the real cost increases faced by Councils. For example the CPI was 4.5% (for the June quarter 2007 to the June quarter 2008, weighted average of eight capital cities) whereas the rate pegging determination for 2008/09 was only 3.2%. Furthermore it is considered the CPI would be less than the reality facing Local Government. Council hopes that IPART can properly assist the State Government in this respect.

9. Distracts public attention away from Management Planning process and creates a false sense of security for ratepayers and residents.
10. Council revenues have been straight jacketed while Federal and State Governments revenues have increased at an alarming rate.

Options for alternative regulatory frameworks:

1. Council prefers options that remove rate pegging in favour of strengthening professional and accountability requirements. Examples of strengthened accountability could include community strategic plans, asset management plans, long term financial strategy, enhanced funding policy requirements, enhanced performance reporting, reasonable financial health check compliance and so forth. Either option 4 or 5 would satisfactorily achieve that.
2. Alternatively Council prefers option 1 which retains existing rate pegging but provides a more transparent and realistic result.
3. Council does not prefer option 2 (disaggregated rate pegging by groups). This is considered to be too complex and may not be as fair. It could lead to arguments over where boundary lines are drawn and be administratively inefficient.
4. Council does not prefer option 3. At this stage it is difficult to see a clear cut economic rationale to treat operating expense and capital expenditure differently.

IPART role:

1. Council does support and encourage IPART assisting State Government with developing and operating a transparent methodology for rates pegging (if that is to continue).
2. Council supports IPART involvement to work with State and Local Government to improve the funding/revenue policy framework (best practice/guidelines) including fees and charges.
3. Council does not support direct IPART regulation of other fees and charges.

Other issues raised by IPART:

Functions: Council's should be able to facilitate or provide local infrastructure and service options (including additional competition and PPP) it perceives are not effectively able to be provided by other parties (public or private sector).

Ratepayer satisfaction: Council believes the majority are more concerned with value for money than solely the cost of rates & charges. This is evidenced by survey and rates paid by comparison to single service providers such a telecommunications or indeed land tax payments. Council's can provide better value for money if empowered to do so.

Rates a tax or payment for services: Council believes that it is substantially a provider of public goods and general rates are a tax on property/wealth rather than payment directly linked to consumers and services.

Future costs: Demand for additional public services are expected to change and/or increase regardless of whether or not development/population growth exists. For example rising fuel prices and increasing environmental requirements will require more public sector intervention to resolve and create change. Rates capping could discourage change and innovative thinking in a situation where additional public expenditure may result in significant community or national savings.

Should you require clarification or further information in respect of this submission, please contact Council's Executive Manager, Finance, Miles Craighead. Miles can be contacted on 02 4474 1205 or by email at miles.craighead@eurocoast.nsw.gov.au.

Yours faithfully



PAUL J ANDERSON
GENERAL MANAGER