

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

PUBLIC WORKSHOP

REVIEW OF REVENUE FRAMEWORK FOR LOCAL GOVERNMENT

Chairman: Mr James Cox

Held at the Country Comfort Ashwood Resort
Newell Highway, Dubbo West, NSW

On

Wednesday, 22 October 2008 at 10.00am

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1 THE CHAIRMAN: Good morning, ladies and gentlemen. I
2 would like to begin by welcoming you to this public workshop,
3 which is being conducted by the Independent Pricing and
4 Regulatory Tribunal into the revenue framework for local
5 government.

6
7 I would like, first of all, to introduce myself. My
8 name is Jim Cox, and I am the executive officer of IPART.
9 I am also a member of the tribunal. With me today on my
10 right is Michael Seery, who is the program manager for the
11 local government review.

12
13 The former premier requested IPART should undertake a
14 review of the revenue framework for local government. He
15 requested that the review should consider three terms of
16 evidence. The first term of reference was an appropriate
17 intergovernmental and regulatory framework for setting
18 rates and charges that facilitated the efficient and
19 effective provision of local government services.

20
21 The second term of reference was a possible role for
22 IPART in setting rates and charges for future years., third
23 term of reference was a framework for setting the charges
24 that are levied by certain public authorities, such as the
25 Sydney Harbour Foreshore Authority, the Redfern Waterloo
26 Authority, Sydney Olympic Park Authority and the Growth
27 Centres Commission, to enable these authorities to recover
28 costs for the provision of services that are normally
29 provided by local government but that they do themselves in
30 this case.

31
32 In undertaking this review, IPART is also to have
33 regard to a range of matters including the role and
34 financial position of local government, the revenue sources
35 available to local government, the scope for efficiencies,
36 the socioeconomic impacts of rates and charges, and
37 differences between councils across the state. In addition
38 to all that, IPART is to have regard to the findings of
39 recent reviews of local government and the matters listed
40 in section 15 of the IPART Act.

41
42 This workshop is part of the tribunal's public
43 consultation process for the review. Recently IPART held a
44 workshop in Sydney, and we are holding a number of
45 workshops in a number other regional centres over the next
46 four weeks. The workshops will only address the first two
47 terms of reference because the third term of reference

1 covering authorities is of particular interest to a small
2 number of Sydney councils and, of course, that authorities
3 themselves.

4
5 As part of this investigation IPART released in July
6 an issues paper which sets out the key aspects of the
7 review process. That issues paper outlined some of the
8 matters that IPART considered important in its review along
9 with a timetable for the review.

10
11 In the issues paper, IPART called for submissions from
12 interested parties to be provided by 29 August. To date,
13 we have received 60 full submissions. These have been
14 placed on IPART's website and are available for reviewing
15 on the website. IPART is most grateful to those who have
16 taken the time and the trouble to make a submission. All
17 the submissions we receive will be carefully considered by
18 IPART in reaching its conclusions on the revenue framework
19 for local government.

20
21 Some of the organisations that have made submissions
22 on the review will be participating at our workshop today.
23 I would like to thank those who have agreed to participate
24 here today for taking the time and the trouble to do so.
25 We think this hearing is a very important part of our
26 investigation.

27
28 In consideration of the matters stakeholders have
29 raised in submissions and in this workshop today, we will
30 be making recommendations to the Minister for Local
31 Government. There will be a draft report in May 2009.
32 Then there will be further public consultations following
33 that draft report and a final report will be made in
34 September 2009.

35
36 Before proceeding, I would like to say a few words
37 about how this workshop will be conducted. You have
38 available to you an agenda which indicates each discussion
39 topic or session of the workshop. The proceedings of the
40 day are to be divided into three broad topic areas. These
41 sessions focus on some of the major issues that have been
42 taken from submissions and that IPART believes it will
43 benefit hearing more from stakeholders. These sessions are
44 intended to provide IPART with information to assist IPART
45 in its deliberations, in particular to address these
46 topics.

47

1 There are three sessions today. The first will deal
2 with the role of local government in providing services to
3 the community. The second will deal with the long-term
4 financial sustainability of local government, and the third
5 will talk about options and a more sustainable financial
6 management system.
7
8 At the outset of each session Michael Seery, from the
9 IPART secretariat, will make a brief presentation to
10 introduce each item and propose a series of questions.
11 Each participant will then be invited to express their
12 views on the issues raised.
13
14 After each introductory presentation, I will ask the
15 participants at the roundtable to respond to that issue on
16 the basis that each participant limit their discussion to
17 no more than a couple of minutes for each topic and
18 speakers are not interrupted during this time. At the
19 conclusion of each roundtable session, I will make a short
20 period of time available to members of the audience in the
21 public galley there to express their views and opinions on
22 the issues being discussed.
23
24 As you will have noted, we are making available a
25 transcript of today's proceedings. This will be available
26 on IPART's website within the next week. For the benefit
27 of the transcribers, I ask that you use the microphone and
28 speak clearly.
29
30 Finally, I should point out that while IPART is to
31 provide a draft report to the Minister for Local Government
32 by May 2009, IPART has not determined its position on any
33 of the issues that will be discussed at the hearing today,
34 and we are therefore not in a position to give our views on
35 these issues, at least not yet.
36
37 Perhaps I will start by inviting each participant at
38 the table to introduce themselves for the record by stating
39 their name and the organisation they represent. Perhaps we
40 will begin over on my left. Could I ask you to introduce
41 yourselves.
42
43 MR BENNETT: My name is Paul Bennett. I am the director
44 of organisational services at Dubbo City Council
45
46 MS PHELAN: I am Clare Phelan, the manager of finance at
47 Mid-Western Regional Council.

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1
2 MR ROGAN: I am Ian Rogan, general manager at Narromine
3 Shire Council.
4
5 MR STYLES: Garry Styles, general manager, Orange City
6 Council.
7
8 MR BAILEY: Roger Bailey, general manager, Lithgow City
9 Council.
10
11 MS BENNETT: Jenny Bennett, executive officer Centroc.
12
13 MR BAILEY: I am sorry, I am also representing Centroc as
14 well.
15
16 THE CHAIRMAN: I will now ask Michael Seery to introduce
17 the first workshop issue. As I understand it, we only have
18 paper copies of the slides that we can use today. Perhaps
19 Michael should quickly emphasise the issues that he wants
20 to speak to.
21
22 MR SEERY: Thank you, Mr Chairman. I do apologise. We
23 have overheads, but the connecting cable between the
24 computer and the projector is not available yet. It will
25 be available shortly. I have asked for copies of our
26 slides to be provided and they are being prepared at the
27 moment.
28
29 What we have done today is chosen three broad topics
30 from the range of the issues that were in the original
31 issues paper. We would like to hear from stakeholders and
32 attendees today their views on those issues and whether
33 they see a potential exclusion that can come forward from
34 today's workshop.
35
36 For each of the sessions, I will give a brief
37 introduction. While I think of it, outside on the table,
38 there is a register. Could you please sign the register
39 before you go, including the people who are in the gallery,
40 so we know who is here today and we can provide you with
41 any details of future reports.
42
43 As the chair has indicated, the workshop is a
44 roundtable and people will have an opportunity to discuss
45 the points. The first topic is on the role of local
46 government in providing services to the community. As you
47 are all aware, councils have a wider role now than they had

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1 in the past. This has had a considerable impact on the
2 costs of councils. As part of our review so far, we have
3 noted that the Local Government Act provides councils with
4 considerable flexibility in determining their role.

5
6 However, a council's role is really in response to the
7 needs of the community, and this role requires councils to
8 provide quite a diverse range of infrastructure. As we
9 have found in the previous workshops, that diverse range
10 varies from council to council.

11
12 These changes in expectations, of course, create
13 pressures for new services and also have an impact on the
14 expenditure requirements of councils. Consequently,
15 councils have to assess priorities in providing services
16 and infrastructure. I guess the key issue for IPART is how
17 councils determine their role and the expectations of the
18 community and how accountability fits into this structure.

19
20 We have three discussion points which, hopefully, you
21 will be able to remember. If not, shortly we will be able
22 to provide them to you in paper format.

23
24 The first one is: how does the determination of the
25 various roles for local government impact on expenditure
26 and revenue? Secondly, how do councils establish their
27 role and be accountable to the community? Thirdly, how
28 effective are the mechanisms such as the annual report in
29 ensuring accountability to the community?

30
31 THE CHAIRMAN: Thank you very much, Michael.

32
33 It is now over to you for comments, particularly on
34 those issues. When you do make a comment, perhaps you
35 could introduce yourself for the benefit of the
36 transcribers and speak into the microphone please. Who
37 would like to go first?

38
39 MR BENNETT: That question about the role of local
40 government is one that I think every council grapples with.
41 Having worked in five different local government
42 organisations, the role of those organisations has been
43 different for each of those communities. I think that
44 really comes down to, in many cases, the quality and level
45 of services that are being provided by other spheres of
46 government and where local government has to essentially
47 step in and fill the holes. That has a big impact on where

1 priorities are actually set.

2
3 The role of local government in a metropolitan area or
4 even a well-developed regional city will be vastly
5 different from that in a small rural community simply
6 because of the quality of the services that are provided to
7 their communities. Things such as law and order, health,
8 even the quality of the regional road network and the
9 support given by state government, especially the way they
10 determine their policy for funding of regional roads, will
11 mean that the priorities for each of those councils and the
12 role they see they have to play will be very different.

13
14 There is also an impact, obviously, on the
15 demographics of each of the areas. Age is a big issue in
16 rural areas at the moment, also the state of welfare
17 services and also the level of indigenous population that
18 exists, and unusually enough, the role of council changes
19 from time to time even based on climate. Out here in rural
20 areas, going through the drought for the last six or seven
21 years, the role of councils within communities that have
22 essentially seen their economic cash flow dry up has again
23 become one of trying to stimulate and drive different
24 opportunities than they would otherwise try to do when
25 climatic conditions are better.

26
27 So, yes, there is a lot of flexibility in determining
28 a role, but I think it is not really always up to the
29 council in determining their role because there is such a
30 major impact from the policies of both state and federal
31 government in determining what we have to do and how we
32 meet the needs of our community.

33
34 MS PHELAN: Following on from Paul's comments, I would
35 have to agree that it tends to be quite reactionary,
36 particularly in rural areas, and that often makes long-term
37 sustainable financial planning somewhat difficult, given
38 that gaps that should be filled by the levels of government
39 tend to appear quite quickly and the community demands
40 that those be addressed as a matter of priority.

41
42 Examples would be doctors and health issues. The
43 community expects those particular services to be provided
44 and, from their point of view, they don't really care
45 whether it is local, state or federal; they just want it
46 fixed.

47

1 MR ROGAN: Continuing that theme, and by way of example,
2 in Narromine shire, there is growing angst about medical
3 services. Though our proximity to Dubbo is a clear
4 strength, access to both mainstream GP medical services as
5 well as allied health services is really highly valued by
6 our community, and an ageing one at that, as Paul
7 indicated.

8
9 As we stand right now, Narromine shire is under
10 increasing pressure from our community to make a
11 contribution to the costs of not only medical recruitment
12 but also medical accommodation, residential and
13 professional accommodation. These are issues that are very
14 much in the front of mind of our residents, and that is
15 translating into an expectation of support from council and
16 cost being contributed by council to all of those areas;
17 namely, medical recruitment, accommodation of medical
18 personnel, both housing as well as their professional
19 accommodation, and equipment.

20
21 That is not insignificant as a cost demand that we are
22 now confronting along with all the other normal things. We
23 have an aerodrome, a library and child care. We are, I
24 guess, the primary provider of those services in a small
25 community, and that may not be the case in larger
26 metropolitan and regional centres.

27
28 MR BRADY: Michael Brady from Bogan Shire Council. At
29 the outset, I would like to endorse Ian's remarks in relation
30 to medical services. In the bush quite obviously, like
31 everywhere, there is a shortage of specialist services
32 particularly in relation to dental services and medical
33 services. Increasingly there is much evidence of local
34 shires having to dig deep to retain and/or indeed to
35 attract those sorts of services. It is quite a substantial
36 cost and we don't see that falling away at all.

37
38 The second thing, of course, is that local government
39 has an advocacy role in terms of representing its
40 community, particularly where there is a failure by central
41 government to fulfill its commitment to delivering the
42 sorts of services that it is elected to provide.

43
44 The local example I can give you in our instance is
45 the highway between Nyngan and Nevertire, which is an
46 absolute disaster in terms of comfort, particularly for
47 large vehicles. The speed zone is 110. For large vehicles

1 they are lucky to travel 80 kilometres an hour and there
2 have been many complaints with respect to that. Thank you.

3
4 MR STYLES: The first question was how does the role
5 council takes impact on finances? As you can see here,
6 because of the pressures that come to bear on modern
7 councils, from what has already been said, councils can
8 take on quite a large discretionary role. Of course, with
9 that, they can have much higher cost structures.

10
11 If councils were to try and set their own rates, the
12 question would arise: how do you decide what your scope of
13 operations is in order to set rates and be sustainable?
14 The Act provides this very wide discretion. Some councils
15 might take on a very fundamentals and basic role and do
16 that very well and be enormously sustainable. With others,
17 because of the variety of pressures, whether it be in rural
18 and regional areas, the council sort of becomes the
19 government and it steps up to a higher level and works in
20 with state and federal agencies.

21
22 With the wide discretion and the wide array of
23 services you can have, you can have a back to basics
24 council, you can have a high commitment council, or you can
25 have one with, to quote Percy Allan, widely expanded
26 discretionary services. So it is really that scope of the
27 setting your own palette, that leads to highly variable
28 cost structures and highly variable councils.

29
30 If the question is how does it impact on your
31 finances, it can impact enormously depending on what you
32 take on, how ambitious you are, what the needs and requests
33 of your community are, what operating environment you find
34 yourself in. Some of the rural councils have been
35 mentioning medicine and things like that, which is a
36 non-traditional area.

37
38 The way the world has changed over time has led to
39 councils having to be more and more complicated, with less
40 and less fundamental services and, of course, that blows
41 out the cost structure. If you are going to provide
42 enormous scope to cut your cloth to suit your community and
43 its needs, you are going to experience demands for higher
44 and higher revenue sources. We are only supposed to talk
45 about question one at this stage, I presume?

46
47 THE CHAIRMAN: Yes.

1
2 MR BAILEY: Roger Bailey, General Manager of Lithgow City
3 Council. Just to follow on with what Garry was saying, the
4 effect it has on your cost structures is that by taking on
5 all these additional services you are going to impact on
6 your infrastructure, which in the short term is probably
7 not going to have a significant effect on the council but
8 in the longer term it will have a very large effect on
9 council. Some of those services that local councils,
10 particularly in rural areas, are taking on, local councils
11 in rural areas are taking on basically everything that
12 affects local communities.

13
14 We spoke about health a moment ago, or medical
15 services, but other things I have certainly been involved
16 with in rural areas have been things like aged care,
17 running aged care facilities, even lobbying for banking
18 services and things like that, and at the end of the day
19 those things detract from the bigger ticket items that will
20 eventually affect the council, and that is infrastructure
21 items such as your roads network.

22
23 MR STYLES: They do provide a safety net for our
24 community.

25
26 THE CHAIRMAN: Perhaps if we speak about how it might
27 be different in a country town such as Lithgow and Orange as
28 opposed to some of the smaller councils, that would be of
29 interest.

30
31 MR STYLES: If you look at Orange, we actually rate very
32 highly in terms of the costs our people pay for their
33 rates. We deliver a very widely expanded non-traditional
34 service. We have very high-end parks and gardens. Like
35 Dubbo, we have theatres and galleries that perform a
36 regional role, a lot of which the capital is jointly funded
37 with other tiers of government but we have inherited the
38 maintenance and at some time when renewal is required we
39 will bear the brunt of that.

40
41 For the regional cities, if you look at how they work
42 with their hinterlands and the demography or urban
43 geography around them, you end up playing the regional
44 role, which means you provide more services than just your
45 sort of LG boundary. You become the centre for a much
46 wider catchment.

47

1 If you look at Dubbo and the towns around it, or
2 Orange and the towns and villages around it, you end up a
3 service centre, so you have to pitch your services at that
4 level so that the users can use them. We don't
5 discriminate about who might use all of our facilities.

6
7 You end up with this idea of a regional centre, it's
8 prosperous, it provides a wide diversity of goodies and
9 that fulfills a role in the lifestyle of our communities,
10 attracting new business. If you look at Orange, we
11 invested heavily in high amenity services years and years
12 ago to try to attract a medical workforce. If you look at
13 some of the service in Orange now, it is obviously a main
14 regional centre for medical services, so the role for a
15 regional city council or regional larger council is
16 different to the smaller councils out here. Again, it gets
17 back to you cut your cloth how you see fit in order to
18 achieve the objectives of what your community is after. It
19 is a different sort of ball game.

20
21 I have worked in both a town sort of council and a
22 city council, so there are discernible differences in the
23 expectation of level of services and how wide you pitch
24 your services.

25
26 MR BAILEY: I will have to miss on the Lithgow issue as I
27 have only been in the job for four weeks.

28
29 MS BENNETT: Just a couple of points I think. One of the
30 things that it impacts on in local government is that we
31 take things on, like an airport, with an expectation say
32 from the Federal Government - we think in the first
33 instance it will be financially viable and then over time
34 the support or the commitment or whatever erodes from the
35 federal and state levels, so while we are here attempting
36 to work hand in hand with the other levels of government,
37 the support that comes up front gradually erodes over a
38 period of time. That has a particular impact on smaller
39 councils. Most places do have, for example, an airport, so
40 those things have a comparably bigger impact on their
41 budgets.

42
43 Something that councils have been taking on is the
44 economic development role, particularly out here in
45 regional New South Wales, and that has had a real impact
46 because again it is a game you would not traditionally be
47 in. It is somewhat funded by the state but it is really

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1 important for us to bring people out to our community and
2 grow our communities to sustain our communities. It is a
3 game that is handled very differently by various councils
4 and a game funded very differently. There are councils out
5 here that will be quite small and will have two economic
6 development people. Others that are reasonably large might
7 have none.

8
9 Also I think a point to make is in the recent council
10 elections, that will tell you what our communities expect
11 of us. Just look at what the councillors were committing,
12 all the people that were going to be representing us. They
13 were talking about jobs for young people, road networks,
14 doctors, health services. Those were the commitments that
15 they were making to the people electing them, so they get
16 up into that room and that is what they will be asking for
17 from the machine behind to deliver.

18
19 There is that whole political framework there about
20 the expectations going straight back to the councils
21 underneath them.

22
23 THE CHAIRMAN: I guess we are now at the point of asking
24 about how do councils decide their roles and the financial
25 implications of that, so any further comments on that?

26
27 MR BENNETT: I think Garry summed a lot of this up.
28 Councils really determine their role based on the demands
29 of their communities and I guess the aspirations of the
30 councillors from their board of directors, if you like.
31 But what I am seeing is that councils are now having a look
32 back at the role that they have established over a long
33 period of time and re-evaluating what that role is going to
34 be or if it will continue to be what they pursue into the
35 future. For example, I know here in Dubbo for a long time
36 we have done a lot of work on asset management, things like
37 roads and drainage and the other major infrastructure
38 components, there has been a lot of investment in them, but
39 the reality is that when this infrastructure was built back
40 in the 1950s and 1960s it was all funded by State and
41 Federal governments and there wasn't a complementary
42 revenue stream established at that time to, number 1,
43 satisfy the whole of life asset management costs that go
44 with that infrastructure, nor to make a provision for the
45 renewal of those assets at the end of their cycle.

46
47 We are finding now 50 and 60 years later that the

1 majority of that major infrastructure is coming to the end
2 of its life very rapidly and councils' priorities have to
3 change. Councils have been working very diligently over a
4 long period of time, certainly the last five to ten years,
5 in developing asset management plans to establish really
6 where they are at at this point and have identified huge
7 roles in their funding that they have available to renew
8 those assets.

9
10 Dubbo's approach has been to progressively increase
11 rates through special variations, and that was successful
12 to a point, until despite having a 30-year asset management
13 plan that had been approved by the Department of Local
14 Government, the Minister then decided, for whatever
15 reasons, that he was not going to allow an increase in a
16 particular year and that upset that whole funding scenario,
17 the whole funding solution that had been developed for our
18 community.

19
20 The way our role is now changing, and the way we are
21 determining what our role is, is to say, what are the basic
22 services that council has to provide, let's forget about
23 the discretionary stuff just at this point and see how
24 those eggs fit into the basket at the end of the day. So
25 instead of taking an attitude that we have to provide all
26 these discretionary services and then ask for more money
27 for our roads and our drainage, we are now saying our
28 obligation is to maintain and replace the infrastructure
29 that is critical to our local community and the
30 discretionary stuff will just have to be re-evaluated
31 against the remaining funds that are available once that
32 asset management role is satisfied.

33
34 Unless there are additional revenue streams, unless
35 there is more flexibility provided to councils, local
36 governments will redetermine their roles over the coming
37 years. Especially with things like the integrated planning
38 and so on coming along, it means we will have to
39 demonstrate that we are maintaining and renewing our assets
40 at an appropriate level.

41
42 Our role as it is now will be redetermined I think
43 over the next five to ten years just to match our revenue
44 streams.

45
46 THE CHAIRMAN: Just for my benefit, when you talk about
47 asset management, that is mainly roads and drains; or other

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1 things?

2
3 MR BENNETT: Things like water, sewerage, all of those
4 reticulated services. Councils have many, many bridges
5 which are extremely expensive infrastructures. What we
6 have found - I am sure Garry has found this in Orange - is
7 that the larger centres have been almost excluded from any
8 sort of funding from other tiers of government to increase
9 the capacity of their reticulated services such as water
10 and sewerage, for example, and they come at a huge cost
11 when you have to go through an augmentation process, and
12 the local communities having to bear the cost of that, that
13 is an additional burden which reduces their capacity to pay
14 fees and charges for other discretionary services that you
15 provide.

16
17 MR ROGAN: I guess to paint a perspective of our council,
18 we are about a \$15m or \$16m a year break-even business. 40
19 per cent, or slightly more than 40 per cent, of that annual
20 expenditure is on roads, and if I was to ask our
21 councillors of that \$15m or \$16m a year how much is
22 discretionary I think I would get an answer, probably less
23 than 10 per cent.

24
25 So to begin the process of putting some structure
26 around long-term planning, it is difficult to get ourselves
27 in a frame of mind to take a ten-year view. We must do it,
28 particularly for asset replacement, and in fact the whole
29 of our operations, but with a small operation like us and
30 such large ongoing commitments to things like the roads
31 network over our five and a half thousand square kilometres
32 or something, the mindset I believe would be there is
33 bugger all opportunity for discretionary expenditure. A
34 huge proportion of our resources is committed to routine
35 asset maintenance and replacement, while all the while
36 attempting to respond to our community in the way I said in
37 my earlier remarks about those add-on services.

38
39 MR STYLES: If you look at how we have determined our
40 roles in the past, it has been incrementally and
41 intuitively, it has not been the sort of data Paul was
42 talking about with assets and that sort of thing around.
43 Certainly internationally other areas have done much better
44 than the New South Wales local government industry in terms
45 of identifying their assets, their written-down position
46 and what might be required to renew them. So historically
47 it has been incrementally and intuitively and often based

1 on the sort of power or behavioural nature of the
2 community, the councillors you get and what their
3 aspirations are for your community.

4
5 If you look historically at what has been achieved,
6 there has been some fantastic services and achievements,
7 and with the regression over many years of having to
8 service those assets or cope with rate capping or a decline
9 in revenue sharing from other levels of government, changes
10 in grants, all that sort of stuff, it has brought on more
11 and more pressure to try to cut your cloth increasingly
12 thinner and thinner. That is how we have got to the point
13 we are at now.

14
15 That wide discretion from the act on what services you
16 can provide plus the sort of aspirational nature of our
17 communities is a dynamic thing that guides where you go and
18 what you try to take on. Then you have the other two tiers
19 of government which quite often have grants for this or
20 grants for that, as long as you take over the maintenance
21 of it, and sometimes it is even down to the very specifics
22 of what you are going to build or provide. So in some ways
23 federal and state policy has shaped the services that you
24 have taken on and that you now have to maintain and
25 continue with.

26
27 If you take that sort of operating environment and
28 then you start to weave in what is happening with our
29 assets, the renewal funding is not there from other tiers
30 of government and we have to do it ourselves so there will
31 be a need for quite a bit of change if you are going to be
32 self-sustaining on your own. There is also a view out
33 there I would have to say that within local government
34 perhaps the revenue sharing arrangements need to change
35 dramatically in order to enable local government to become
36 more sustainable. So you have two choices, take it on your
37 own shoulders and cut your cloth to suit, or continue to
38 drive other tiers of government to try to change revenue
39 sharing activities. And the synthesis of all of that is
40 how you have ultimately determine what role councils take
41 on and what services it provides.

42
43 MR BRADY: Michael Brady from Bogan Shire. Perhaps I am
44 reiterating what has already been said but a bit
45 differently. Local government is closest to the community,
46 there is no doubt about that, and therefore the expectation
47 of the community is voiced very clearly. The

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1 interpretation of that is undoubted. There is no doubt
2 there is a clear expectation and we understand what that
3 expectation is. I am not so sure whether other levels of
4 government understand that as well.
5
6 Certainly there perhaps should be, Garry alluded to
7 it, a greater share of tax revenues. With that should come
8 some discretion to be able to meet those particular
9 expectations of your local communities. To a large extent
10 they will be common amongst larger and smaller councils but
11 certainly there will perhaps be this sudden need to respond
12 to some particular social need in a council environment.
13
14 MS BENNETT: Just about accountability, in the first
15 instance there is electoral box accountability, which is a
16 big driver of what happens in local government, so you will
17 have different periods in the electoral cycle that will
18 impact on what councils do very much so. Also in terms of
19 accountability, councils do try to get messages out and
20 talk back to their communities through their annual plans
21 and other forms of reporting, even media releases, so they
22 do try to establish good strong communication with their
23 communities and that is how they try to get their messages
24 across.
25
26 If I was to look at all levels of government, I would
27 suggest, because we are so close to our communities, we are
28 probably the most accountable. The other levels of
29 government don't seem to have that similar level of
30 reporting or report carding. We are the most under the
31 microscope, I suppose. That actually does have an effect
32 over particularly populace decisions and those things that
33 happen.
34
35 MR STYLES: The whole idea of cutting a service or
36 reducing a service is not done very well by local
37 government at all. It is usually very easy for small
38 disaffected groups to get vocal in the media and perhaps
39 not understand the bigger broader picture, and often local
40 government is very responsive to that.
41
42 We have got an example where we have done a
43 recreational study, looked at rationalisation of some of
44 our parks, perhaps because the demographics have changed
45 or usage levels have changed, and the task of carrying that
46 through is enormously challenging given the way the
47 operating environment will behave.

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1
2 THE CHAIRMAN: Any further comments on accountability?
3
4 MR BENNETT: The effectiveness of annual reporting is
5 probably equivalent to how long is a piece of string. This
6 will vary from council to council. There are a lot of
7 organisations that take the annual report simply as a tick
8 a box exercise to meet a statutory requirement and
9 essentially get a sign-off at the end of the year.
10
11 Certainly, and I would say this from Dubbo's and
12 Orange's perspective, we use that as a very powerful
13 communication tool with our community because it is an area
14 that we invest in, it is another one of those discretionary
15 activities where we have fully functioning PR/communication
16 machines to sell the benefits of our particular cities and
17 regions and so on to drive the prosperity of the city.
18
19 What I have found about annual reports over 20-odd
20 years in local government is that it really does focus on
21 achievements rather than the exceptions to what was
22 specified in the management plans, so it has almost become
23 a justification process I suppose for your existence - and
24 maybe it has gone down the American path. I was in
25 California some years ago and they are big on the bluster
26 and bluff to say how great they are and how great they are
27 performing, but they don't mention the things that they
28 didn't do that they said they were going to do, and that is
29 what I have seen happen in New South Wales over the last
30 few years.
31
32 There is also very little information in our annual
33 reports on external factors that have affected performance
34 throughout the year, and that could be something about like
35 what is going on with the current credit crisis and the
36 impact that has had on councils' investments. We tend to
37 bury that in the financials and almost hope that nobody
38 will find it, rather than actually bring it to the fore and
39 really tell the community the impacts that has had for that
40 particular year and also the future impacts it may have on
41 being able to meet some commitments you may already have
42 within your management plans.
43
44 For example, Dubbo, \$55m in restricted assets for a
45 whole heap of different types of projects, and essentially
46 those funds have been devalued over the last 12 months by
47 varying percentages but let's say on average about 7 per

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1 cent, and the community needs to realise that might mean
2 that the new synthetic hockey field can't now be built for
3 another two years. There is a whole range of projects like
4 that. I don't think our annual reports make us accountable
5 in that way very well.

6
7 Back to the first point, the annual report is really
8 only as good as you make it. At Dubbo, for example, we
9 take two approaches: we have the tick a box approach,
10 which is to meet all the statutory requirements and just
11 making sure everything is included in the document
12 somewhere that we can say is our comprehensive annual
13 report, then we generate a second annual report which is a
14 nice glossy brochure, about 20-odd pages, that goes to
15 every residential address in the city which really does
16 highlight the achievements and so on that have occurred
17 over the previous 12 months.

18
19 The annual report can be effective if used the right
20 way. There probably needs to be some more words around
21 reporting on exceptions and impacts of external influences
22 throughout the year but it really does come back to
23 resources and the capabilities of organisations to be able
24 to put them together.

25
26 THE CHAIRMAN: Before you go, do you want to comment
27 on the mechanisms of accountability other than the annual
28 report and how important they are?

29
30 MR BENNETT: A lot of people say councils are held
31 accountable when it gets to the elections, but four years
32 is a hell of a long time to wait to hold somebody
33 accountable for their actions. Even the quarterly
34 management plan reporting process that goes through
35 council, it is incredibly frustrating when you spend an
36 inordinate amount of time putting together financial
37 details and comments on all of the actions within your
38 management plans and so on and you turn up at a council
39 meeting and it might take 20 seconds for somebody to move
40 it, second it, then no comment, no discussion from the
41 community. It really just shows, I guess, a lack of
42 interest in what is actually being achieved quarter to
43 quarter and whether time frames are being met.

44
45 Again, I think the management plan reporting process
46 should be a much greater focus. As a person with a finance
47 background, I was talking about four years for councils,

1 which is a long time before they are held accountable as if
2 in the first quarter you are out by a couple of hundred
3 thousand in your budget, in a smaller council if that
4 accumulates until the end of the year and you don't
5 recognise it until the fourth quarter, you can get yourself
6 in a hell of a lot of trouble. It is just a better use of
7 the mechanisms that are there to provide more information
8 but again it comes down to resource issues in a lot of
9 cases.

10
11 MS PHELAN: I reiterate a lot of Paul's comments, that the
12 resources that are put into preparing a lot of these
13 documents are significant but it is very difficult to
14 engage the people who matter or who need their attention
15 brought to it. That is definitely a factor.

16
17 In terms of the community, you are exactly right, we
18 are probably not particularly good at delivering the
19 message about the financial reasons behind certain
20 decisions and we are probably not so good at conveying that
21 message. It is definitely something we need to improve on.
22 Again, the annual report could be as powerful as you choose
23 to make it, but a lot of us definitely take the approach
24 that it is just another statutory requirement to get out of
25 the way and we don't market it as a corporate achievements
26 or objectives document.

27
28 MR ROGAN: I am pretty inexperienced in local government
29 so my comments are probably more from the perspective of a
30 ratepayer than a general manager of Narromine Shire. My
31 perspective is that the annual report has been next to
32 useless in terms of an accountability mechanism in our
33 shire. My perspective is that the annual management
34 planning process is more successful at engaging people in
35 the doings and the business of council.

36
37 I am sorry to keep quoting specific examples from
38 Narromine but that is the only way I can think of
39 demonstrating my thoughts. We have about 7,000 people in
40 the shire, about 4,000 voters, and in the lead-up to our
41 management plan adoption this year we had obviously all the
42 public display type opportunities, three public meetings
43 attended by a couple of hundred people, but in the end
44 probably no more than 30 or 40 formal responses to the
45 management plan. I would not want to gloss over it too
46 much but I think the signs are there and the opportunity is
47 there for that management planning process whereby, as you

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1 all know, we attempt to communicate our proposed changes,
2 if any, in ratings policy, proposed changes, if any, in
3 fees and charges.

4
5 I reckon that is the best opportunity for exposure,
6 accountability and feedback. I listened to the suggestions
7 that Paul and others made about ways of communicating in a
8 more succinct layman's language our annual reports. Unless
9 changes are made I think they are next to useless in terms
10 of accountability.

11
12 MR BRADY: I will be fairly brief. Most of it has already
13 been covered. Certainly the annual report and the
14 quarterly management team review, having been through a
15 number of organisations in the industry, the level of
16 interest is small by comparison to the amount of work that
17 goes into it. There is little doubt about that.

18
19 Certainly there is a need to market our services,
20 market what we do. We need to take a fairly strategic
21 approach to marketing our organisations. That is
22 important. We need to go to the community and ask it what
23 it wants. That is not always easy because the level of
24 interest, as I said in responding to the annual report, is
25 small when we exhibit. The same when we prepare our
26 corporate reviews for the management plan, so we have to
27 tease those perspectives out so that we can add more value
28 to the lives of the people that we represent.

29
30 MR STYLES: The question you should be asking is, who has
31 ever been held accountable by the annual report because
32 unless someone has a really strong particular interest in
33 something very specific, I don't think the average punter
34 pays that much attention to the annual report. It is more
35 where, if there has been a problem, somebody will go back
36 and look at it. We have a rules and compliance-based
37 system. If you look at the boundaries that we deal with
38 within DLG or ICAC or within the legislation, it is all
39 based on a compliance approach.

40
41 There are other tools out there where, if you take it
42 on your own shoulders, you can have a crack on it. There
43 is some quite effective survey work that happens to try to
44 gauge community sentiment. If you can get that done at an
45 independent level by non leading questions, properly
46 structured questions, you can get some sort of insight into
47 specific issues.

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1
2 The annual report is useful for practitioners to sort
3 of understand where they have been and where they are
4 heading and how it all worked, was that good or bad or
5 should we do something different. That is more like a
6 self-discipline thing or a continuous improvement sort of
7 thing, so it is quite effective that way. I can't recall
8 ever being challenged about something that was in an annual
9 report, perhaps apart from what the senior staff get paid,
10 or something like that, that the media might gravitate
11 towards. But even at a media level, I haven't seen tight
12 and close scrutiny of an annual report. It is more: this
13 might be of interest or that might be of interest.

14
15 It is what you really want to make out of it. I like
16 trying to get something succinct. At least if you can get
17 your people reading something that is easy to read, they
18 are engaged a bit and have a sort of understanding of it.
19 The great big thick report with all its compliance stuff
20 and competitive neutrality statements is good for
21 practitioners, but I am not aware of someone being held
22 accountable that way.

23
24 As an accountability tool, I don't think it is that
25 effective, but I do think it's necessary because I like to
26 hold my people accountable for where they finished and what
27 happened between that and the fourth quarter review or the
28 quarterly reviews. That is effective as an internal tool.
29 While it probably doesn't pass muster for the average
30 punter, it is certainly necessary, in my view.

31
32 MR BAILEY: I see the annual report as a perceived need by
33 people within, say, the Department of Local Government as
34 to what they believe the community wants. I think they are
35 generally off the mark with that. The information that I
36 think the community generally wants comes throughout the
37 year, through questioning through the local media and the
38 like, and how council responds in those cases is how we get
39 the message out there.

40
41 Because of those reasons, we don't market the annual
42 report very well at all. That is largely because there are
43 things in the report that the community really is not
44 interested in throughout the year. As to the scrutiny
45 that comes on us through this compliance, I question
46 whether other levels of government are in the same level of
47 scrutiny at all.

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1
2 MR STYLES: I would love to see the state government's
3 asset report, even for railway system.
4
5 THE CHAIRMAN: There are some state government bodies
6 that do have those reports and examinations of assets which
7 include --
8
9 MR STYLES: Does it say they are sustainable or what?
10
11 THE CHAIRMAN: Once we have finished their pricing, they
12 are.
13
14 MR STYLES: Of course, they are asking you to put up
15 money.
16
17 MS BENNETT: Just quickly on the annual report, its
18 content is of little interest to the community. In that
19 sense, it is not a great accountability tool, but just
20 imagine if it wasn't there. It is the knowledge that this
21 document has been produced that is hideously thick and full
22 of things that you really wouldn't want to read that gives
23 a sense of comfort to everyone to know that your council
24 has reported every year. You can read it if you want.
25 Nobody wants to. The councillors themselves are satisfied
26 with it, and so we can move on.
27
28 I think that is where the level of accountability is
29 for the communities; whereas I think, as Garry was saying,
30 as an internal tool, it is essential as a part of suite of
31 accountability things, like your quarterly reports, and it
32 works. But it's very much at a simplistic level that the
33 community reacts to those.
34
35 MR STYLES: At a broader level, the comparative
36 information that gets published is useful but it's two
37 years out of date by the time you get it.
38
39 MR ROGAN: That's right
40
41 MR STYLES: It would be much, much better if it was
42 current. Even as a practitioner, that gives you a hand
43 with seeing how you are travelling against your colleagues.
44
45 THE CHAIRMAN: Are there any further comments on
46 accountability? Paul, do you want to have another go or
47 respond to some of the comments?

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1
2 MR BENNETT: No, it's all good.
3
4 MR STYLES: Paul mentioned the financial statements and
5 things like that. The whole thing with accountability and
6 the whole idea of what is satisfactory and what is not is
7 not covered anywhere. The targets, you set yourself. But
8 there are also so many dimensions to what is satisfactory
9 in terms of finance, the other sort of triple or quadruple
10 bottom line stuff.
11
12 I get the impression with the integrated reporting,
13 that's where we are heading to try to get a grip on that as
14 well. As Jenny said, if the structure is just that, we
15 pull it together to give some sort of internal satisfaction
16 and it does go through a process where the councillors can
17 perhaps be satisfied with it. That is still quite an
18 effective outcome; it is just that it probably doesn't
19 achieve more broadly.
20
21 THE CHAIRMAN: I would be interested in any further
22 comments on the integrated report as an accountability
23 tool. Are there any thoughts on that, if anyone wants to
24 have a go on that?
25
26 MR STYLES: I reckon you are misreporting it. It is a
27 planning tool. I certainly view it as a planning tool to
28 try and get things right rather than a reporting tool, and
29 that is my mind set.
30
31 MS BENNETT: It looks to me as though the DLG will be
32 looking for some other measurables at the other end, in
33 which case it will become a reporting tool. I think that's
34 certainly part of the direction where it is going at the
35 moment. If it is something where, across the state, you
36 get some apples with apples benchmarking comparisons, that
37 could be useful, but that doesn't seem to be the direction
38 the DLG is going at the moment. It seems as though we can
39 all invent our own ways of measuring and doing what we are
40 doing against the new directions document. In which case
41 it won't be as useful as it should be.
42
43 MR STYLES: Perhaps Paul could talk about the
44 effectiveness of note 7.
45
46 MR BENNETT: The integrated planning framework put
47 forward by the department is probably a change that most councils

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1 have been looking for over the last 15 years, with the
2 emphasis coming on sustainability and certainly again asset
3 management and the like. There has always been a lot of
4 frustration with the separate processes for our social
5 plan, the separate processes for our LEP, and so on.
6
7 What we will see happen with the integrated planning
8 framework is that communities will finally be able to see
9 that when they bring forward a particular issue that needs
10 to be addressed, it will be addressed from every aspect,
11 including the social outcomes, the resource requirements,
12 the financial commitment that the organisation needs to
13 make and the global impacts of addressing those particular
14 issues, rather than looking at them just in isolation.
15
16 I believe that communities will get a much better
17 handle on how the whole framework of local government fits
18 together and the full fabric of what we actually deliver
19 rather than just having a state of the environment report
20 over here, but where nobody really knows how that fits into
21 the environmental planning activities within your budget
22 and your operating plans. It is very similar to the social
23 plan. We have a social plan that we do a lot of community
24 consultation on, but at the moment, you can't really see
25 how that fits into your community services department and
26 what they are actually doing.
27
28 This new mechanism will mean that all of these plans
29 will become embraced within a single strategic document.
30 That will have a considerable impact on the way we actually
31 run our organisations. It will give us significant
32 leverage, I think, with our communities in justifying the
33 cost increases and give them a better understanding of: if
34 we don't do this, these are the consequences, but if we do,
35 you will have to sacrifice something else based on the
36 level of resources that we do have available.
37
38 I would say that a lot of the larger councils already
39 significantly meet the integrated planning framework
40 requirements. I don't think there will be a lot of work
41 for those centres to take the next step, but I do think it
42 will be a significant impost on smaller councils. I can't
43 imagine having to go back to Narromine - I apologise for
44 this Ian - even though there are some highly competent
45 staff there, they are so stretched doing their day-to-day
46 stuff. If you put this new layer of planning above those
47 people, they will really struggle to be able to look at

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1 anything that is meaningful.
2
3 The last thing I will say about the integrated
4 planning is this is very similar to what they do in New
5 Zealand at the moment with their corporate community
6 planning exercises, the long-term corporate community plans
7 they put together. The level of community consultation is
8 commendable in that process. I hope that there will be
9 some specific requirements regarding the level of
10 consultation that is required to be undertaken in putting
11 those plans together. It is legislated in New Zealand. I
12 think that it should be legislated here as well.
13

14 THE CHAIRMAN: Does anyone else want to make a comment?
15

16 MR STYLES: The integrated planning will pull together a
17 lot of those things. The key element of it, of course, is
18 the assets. As Paul said, lots of overseas areas, even
19 other states of Australia, have done a better job on this.
20 You get the state ministers with the federal minister and
21 the federal minister says things such as, "You don't have a
22 solid case. You don't have your asset plans. How can you
23 be asking for a greater share of revenue?"
24

25 I notice your terms of engagement for this does
26 consider other revenues. I think that it will be an
27 essential element of it. The trouble is it will take a
28 few years to get there, and there will probably need to be
29 some very hard decisions about levels of service that are
30 driven from infrastructure.
31

32 There is one element it doesn't seem to cover very
33 well. When we are talking about what is our role, it is a
34 great mix of things because not all services and
35 expenditure are tied to infrastructure. So what is the
36 future of some of our community services that are strictly
37 human services when you're in the greater pool where you
38 have all your infrastructure and there will be pressure on
39 that and there could well be a backlog? How do you then
40 decide your level of service? Given my earlier comments
41 that you never lose a service, you always add, how will
42 that be reconciled because a third of your budget could be
43 on services that are not tied to infrastructure, yet the
44 whole integrated planning thing will throw a strong bias
45 towards the infrastructure? I get the feeling that the
46 state and federal governments will be focused on that as
47 well in terms of the revenue sharing.

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1
2 It is sort of integrated, but it doesn't integrate
3 everything. I think that broader perspective in terms of
4 how you balance what you provide and what you spend your
5 money on is important because people won't like to see,
6 say, human services going by the way so that we can go and
7 fix roads, for example. It misses the point in one
8 element.

9
10 MR BENNETT: We are going to end up with a snapshot of
11 our local community, but we won't have any idea of what the
12 state and federal policy is. We will have all these great
13 local plans about all the things we need to do to satisfy
14 our social, environmental, economic and financial
15 responsibilities. We need to have some or the sort of
16 indication from the state.

17
18 We know the issue we are having in this part of the
19 world already with the regional planning stuff that the
20 state government is doing under the state plan. The state
21 is telling us that we need to be doing our plans in
22 accordance with its plan - things like our LEP and so on.
23 But we don't have a regional plan for this part of the
24 state, so we are sort of flying blind trying to work out
25 what should our planning policies be when we don't even
26 know what the state policy will be. We just have to hope,
27 at the end of the day, that they somehow dovetail in.

28
29 MR STYLES: Like us, the state government doesn't resolve
30 things until there is a strong political process. Even if
31 you had the state plan up front and you thought that was
32 the framework in which they were working, some of that
33 stuff could change.

34
35 MR BENNETT: You come down to things as basic as what is
36 the future of the Roads to Recovery funding, what is the
37 future of the AusLink funding? That allows council then to
38 develop their own plans as far as saying, "Okay, what level
39 of resources do we have to direct into those infrastructure
40 activities; so then what capacity do we have to be able to
41 continue to deliver those discretionary services to
42 people?"

43
44 MR STYLES: Things like AusLink set a program four years
45 at a time, so you at least have that framework within which
46 to work with them.

47

1 THE CHAIRMAN: In the interests of time, I think I should
2 bring this first session to a conclusion now. Before I do
3 that, are there any further comments from people sitting at
4 the table on any of the issues?

5
6 MS MILLER: I have some comments.

7
8 THE CHAIRMAN: I'll go to the gallery in a second. I want
9 to make sure there is no-one at the table who wants to make
10 an additional comment. Thank you, you may go ahead.

11
12 MS MILLER: I am Phyllis Miller, the mayor of Forbes Shire
13 Council, previous president of the Shires Association of
14 New South Wales. Firstly, I am disappointed that it is
15 basically officers. There are not many elected members
16 here. I am not sure if I am the only one or not. I have
17 been sitting here listening to officers of council deciding
18 how a pricing structure should be, and I have a great deal
19 of respect for everyone in this room, but I think we need
20 to get the political sway on what is going forward.
21 Without that I believe that that will be not very good for
22 this actual hearing of IPART in Dubbo.

23
24 With the size of councils and the variance - we are
25 hearing a lot about Dubbo and Orange today - I don't think
26 we are getting a very good cross-section of what is really
27 happening out there and the governance and reporting that
28 we need to do.

29
30 It is okay talking about the integrated planning that
31 is coming forward from DLG. That is a big impost
32 financially on every council in this state. We all have
33 the same reports that we are required to do, but we don't
34 have the same ability to do them. That is a key area that
35 needs to be looked at. It is horses for courses.
36 Depending on the size of the council, their reporting
37 requirements should vary with their ability to do those
38 reports. That has not been taken into consideration at any
39 time. It is always one size fits all.

40
41 I think we need to be very careful about what comes
42 forward out of this inquiry. There has to be some variance
43 in what we do for local government areas.

44
45 I am not going to stay for the whole lot because I am
46 not really keen on sitting back in the backblocks. I like
47 to have my say.

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1
2 I agree totally with Ian. If our management plan is
3 not right - that is our accountable document - if we can't
4 get community interest in that, how many people will go and
5 read an annual report? I have shares. I get about 50 of
6 those and I can't tell you the last time I read one, unless
7 I read something in the paper that they are going broke.
8 The only time I would ever pick up an annual report of any
9 local government area was when I knew they were in strife
10 and I would have a look.
11
12 It is a good tool for the likes of the general
13 managers in knowing where they've been, but I think there
14 are other ways that we can be more accountable to our
15 community than through an annual report. There is a
16 responsibility on elected members to have some kind of
17 reporting system themselves. I don't believe in mandated
18 reporting. Paul was talking about having some mandated
19 ways of doing things with our reporting system. I think
20 that should be horses for courses within the local
21 government area.
22
23 I know you said we could only have two minutes. I'd
24 better leave it there - I could go on for about 10
25 minutes - and we will be off at the first chance of a
26 break, thank you.
27
28 THE CHAIRMAN: Thank you very much.
29
30 MR BAILEY: Given the limited number of people here, can
31 Phyllis join us at the table?
32
33 THE CHAIRMAN: Yes, you are most welcome.
34
35 MS MILLER: No.
36
37 MR BAILEY: You will have to stay now.
38
39 MS MILLER: No, I am offended, so I am going. I am the
40 only elected person here, and I have better things to do.
41
42 THE CHAIRMAN: Thank you for your contribution.
43
44 Perhaps I should try and summarise the first session
45 to the extent I can. It seems to me that we have had a
46 good discussion of how local government determines its role
47 and that is a complex process, including, at the very

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1 least, the wishes of the local community, the financial
2 obligations of local government and the absence of other
3 forms of government. It seems to me there is a
4 discretionary element in what local government do and it
5 depends on how those three things work out. Obviously that
6 does have implications for the financing of local
7 government, particularly given the obligations to invest in
8 and renew infrastructure.
9
10 We also heard about a large number of accountability
11 measures for local councils, and a lot depends really on
12 the extent to which councils can use those to take good
13 advantage of them. But there seems to be some support for
14 the integrated planning process as a useful tool by
15 recognising that it will cost different amounts for
16 different councils. That is how it seems to me; is that
17 right? Good.
18
19 Michael, would you like to introduce the next session.
20
21 MR STYLES: Could I ask a question before we do that? I
22 presume there are submissions coming from LGSA amongst
23 all your submissions.
24
25 THE CHAIRMAN: Yes. Those are all available to read at
26 your leisure, if you have it, on our website.
27
28 MR STYLES: Have any come forward from citizens groups
29 against rising rates and all that sort of stuff?
30
31 THE CHAIRMAN: Yes.
32
33 MR SEERY: We have the technology working now, so the
34 key points of what I am saying are up on the screen as well as
35 the paper copies that I've distributed to people at the
36 table.
37
38 This next session is about the threats to long-term
39 financial sustainability. We can't talk about financial
40 sustainability without perhaps defining what you mean by
41 it. The definition that I've put together there is:
42
43 Service and infrastructure levels and
44 standards are delivered according to a long
45 term plan without the need to substantially
46 increase rates or reduce services.
47

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1 It should read "substantially reduce services".
2
3 A number of submissions have identified various
4 threats to financial sustainability. Chief among these are
5 rate pegging and cost shifting. I don't think the term
6 "cost shifting" has been mentioned today, but it has
7 certainly been inferred in the discussion.
8
9 Areas where IPART requires further information include
10 what is the adequacy of rate pegging? What is the
11 variation in capacity to raise revenue across the state?
12 Certainly there is a difference in ability across the
13 state, as a couple of people have mentioned so far today.
14 Where is the alignment of revenue and expenditure? We need
15 a bit more information on that particular issue. With
16 regard to efficiencies, what is the scope for greater
17 efficiencies? Has local government, for example, reached
18 the limit of its ability to provide productivity
19 improvements? Are there legislated requirements that
20 prevent further gains in efficiency? For example, do the
21 provisions of the Occupational Health and Safety Act work
22 against improving efficiency in operations?
23
24 In the discussion paper that we circulated, there are
25 actually a much larger number of discussion points. For
26 this session, to put everything on one page, we thought we
27 would synthesise it down to three main questions. The
28 three questions are how effective is rate pegging and what
29 are the implications for council and ratepayers? For
30 example, does rate pegging effectively constrain the level
31 of rates and total revenues of local government?
32
33 The second point is what best practices are used by
34 local government to achieve greater efficiencies and what
35 else could be possible? The third point is what are the
36 constraints on councils making greater use of debt funding
37 to provide services and infrastructure and what is the
38 attitude of councils towards debt funding? It is possible
39 here that we would certainly get a different view from the
40 elected representatives as opposed to the officers of
41 council.
42
43 I guess in relation to debt funding, the interesting
44 question for us is: does rate pegging and the constraints
45 on councils have some contribution to the attitude of
46 councils to debt?
47

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1 THE CHAIRMAN: Thank you. Who would like to go first?
2
3 MR BRADY: I'll address the first one and go to the others
4 later. Certainly in relation to rate pegging, it is a
5 different impact for different councils. If you are a
6 council that's east of the Divide or certainly a larger
7 regional council, the impact of rate pegging is more severe
8 than it would be in a small rural shire, for example.
9
10 In our shire, and it is no different from others of a
11 similar size, capacity to pay is the issue. Our main
12 ratepayers, the people who pay the largest amount of rates,
13 are our rural residents, people on properties. The drought
14 has meant that their capacity to pay has been severely
15 constrained - no doubt about that. You could put it up
16 10 per cent if you wanted to, but you would not get 10 per
17 cent. 3.2 is still a struggle. The real issue for us - I
18 think this is where it is common with all councils and I
19 have mentioned it before - is a greater share of tax
20 revenues. The real value of those tax revenues must be
21 sustained, not like Roads to Recovery where they give you
22 X, and then it is X minus five years later.
23
24 In our case, rate pegging has not had an enormous
25 impact; it is more the drought, if that be the case. The
26 other issue, as I said, is in certainly a greater share of
27 tax revenues.
28
29 MR STYLES: I would have to say that rate pegging has been
30 very effective. It is mandatory, so, of course, it is
31 effective. You get to raise it by the cap or you go
32 forward and put forward your case for a rise above the cap.
33
34 In terms of that happening, for many, many years, it
35 has forced councils to spread their efforts thinner and
36 thinner, which might be a good discipline, but it has a
37 natural point of conclusion where some of the dynamic
38 factors will eventually make it ineffective. If rate
39 pegging is occurring to the point where, even for baseline
40 activities or renewal of assets that council plans to keep
41 indefinitely cannot occur, then it is not very effective at
42 all because it is not ensuring sustainability.
43
44 If you look at what has happened over many, many
45 years, it has certainly been good discipline to tighten and
46 tighten and tighten. I imagine there is a tonne of
47 evidence that shows that councils' costs have been going up

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1 by much more than the rate cap. Lots of councils are in
2 the position where their salary load is roughly equivalent
3 to their rate take and the cap simply pays the staff rises
4 for the year, and then we have the impost of all the other
5 costs, with insurance, compliance, new environmental
6 standards or any of that sort of stuff, let alone cost
7 shifting.
8
9 So it will have a point of natural conclusion where it
10 causes councils to be unsustainable, if you can sort out
11 the difference between discretionary services and
12 non-discretionary services. It has been a tool, but
13 perhaps it is starting to outlive its useability,
14 especially if you look at some of the sustainability stuff
15 from some of the other inquiries that have been conducted.
16
17 MR BAILEY: The rate pegging has been used as a political
18 tool obviously for some time now by the state government to
19 decide how much councils can increase their rates. From
20 the point of view of being involved in councils, it has had
21 a usefulness in that it does allow councils the opportunity
22 to justify an increase to the community, which sometimes
23 can be very difficult, particularly in rural communities
24 when you are suffering things like the drought. However,
25 it also does constrain councils in how much revenue they
26 are able to raise over time.
27
28 If you refer to the LGSA submission, it points out
29 what the effect of rate pegging has been on New South Wales
30 councils in comparison with other states. Over time, we
31 are falling a long way behind what councils in other states
32 are raising. As Michael said, we can't just focus on rate
33 pegging as an issue. We need to look at other areas of
34 being able to raise revenue or receive revenue particularly
35 from the federal government, I believe.
36
37 Finally, while we are constrained with what we can
38 raise through rate pegging, we are providing services to
39 other levels of government. What I am talking about there
40 is the New South Wales Fire Brigade. Throughout the state
41 they are increasing their charges to councils at a much
42 greater rate than that which we are able to raise from our
43 local community. They are able to do that with little
44 justification to us. I would imagine they'd probably go
45 through the IPART process themselves, or something similar,
46 but the effect is that we have to reduce other services in
47 order to accommodate the larger increase to those areas.

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1
2 MS BENNETT: The rate peg is only as effective as how high
3 it is. From what I can gather from member councils, it is
4 insufficient. I also want to make the comment that some of
5 the smaller councils in particular start going down that
6 track of variations.
7
8 I know Dubbo has had some interesting times with
9 variations, and one of our councils, Blayney, made a lot of
10 commentary about how tough that variation role is. It
11 forces councils into seeking other ways of getting income.
12 There are a number of ways they can do that, and this is
13 where it is ineffective and inefficient. It forces
14 councils into seeking revenue streams from elsewhere.
15 There are a variety of ways of doing that, but they all
16 require resources and that therefore widens the gap between
17 the smaller and larger councils all the time.
18
19 The other revenue streams, for example, are grant
20 funds or other types of programming through the federal and
21 state government. That puts you in the game of having a
22 grants officer and somehow getting money through those
23 sorts of things. Then it also puts you in the game of part
24 funding those activities, and they relate to whatever the
25 federal policies might be. At the moment it might be
26 helping farmers out here in the region become more drought
27 proof, for example. If you start going down that track to
28 try to help your community and to bring more income into
29 your community, you will get caught up into this vortex of
30 funding things that are not really what you should be doing
31 in the first place. That is a direct result basically of
32 having income streams that are too small.
33
34 It forces your more dynamic councils into being more
35 aggressive and creative in trying to find income streams
36 from elsewhere, but then ten years down the track they find
37 themselves in a game that they probably didn't think they
38 were going to be in before.
39
40 MR STYLES: Just one minor issue that has arisen - the
41 complexity of getting a rise above the cap is pretty solid
42 and if your community was hurting and you perhaps didn't
43 take the full rise one year, it then becomes embedded year
44 after year after year, without any obvious mechanism of
45 catch-up, which would tend to sort of prevent you looking
46 positively if the community made a good case of perhaps not
47 taking the full rise.

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1
2 The other thing is that when it is set by the State
3 government it is set across the board, whereas there are
4 different variables that apply across the state. It will
5 be interesting to see how they go coming up shortly with
6 the impact of the across-the-board financial crisis,
7 whether they form a view that it is too tough for the
8 communities to pay full freight and therefore set it at a
9 per cent less or whatever.

10
11 The complexity of getting a rise above the cap if you
12 don't take every single one and try to undo the compounding
13 effect is quite difficult.

14
15 MR ROGAN: From Narromine's perspective, our ordinary
16 rates are about 25 per cent of our income. As far as I am
17 aware, we have operated just within the cap and haven't
18 sought variations in recent history. Again, more from a
19 ratepayer perspective than a council officer perspective, I
20 guess I can see and I feel that the community believes that
21 rate pegging is a safety net, some way of enforcing
22 financial discipline on us all, and so from that
23 perspective, albeit a relatively inexperienced one, I can
24 see a case for an ongoing rate pegging process.

25
26 I do not understand how the peg is set and I gather
27 from others that there is criticism of how it is done and
28 the figures that have been come up with. It certainly
29 appears to defy or not demonstrate close analysis of the
30 costs of us doing business and changes in those costs. I
31 am not wanting to get in front of ourselves but my bottom
32 line would be to argue that our communities and our
33 ratepayers are likely to expect or demand some ongoing form
34 of rate pegging, rate control, rate limit setting, but
35 there seems to be a pretty strong argument for a different
36 process for establishing that limitation.

37
38 MS PHELAN: I would have to agree with Garry's comments
39 earlier that rate pegging has been very effective in
40 keeping rates down but, in terms of meeting community
41 expectations and demands, not particularly effective. We
42 are doing a lot more for less but that definitely led to
43 compromising the quality of services and infrastructure
44 maintenance that we do provide to the community and I think
45 that will catch up with us very soon and that we will find
46 ourselves exposed and not necessarily have a huge amount of
47 flexibility to address these issues.

1
2 In terms of revenue raising capacity, it is becoming
3 increasingly difficult, particularly for small to medium
4 size councils. We are now having to look at the limited
5 resources we have got and divert more into roles such as
6 grant officers and economic development officers and that
7 is funding that is being taken away from infrastructure
8 maintenance simply to chase grants, and it just does not
9 necessarily seem like the best use of our already limited
10 resources.

11
12 MR BENNETT: The easy answer is to say that the answer is
13 in all of that somewhere. Garry hit it on the head when he
14 said that rate pegging has been effective in making us more
15 conscious of the activities that we undertake. We are much
16 slimmer organisations than we used to be and we resource
17 ourselves at a different level than what we used to. A lot
18 of local governments historically used to resource at peak
19 workload levels and rate pegging has brought us into a
20 frame of mind where we resource ourselves at essentially
21 constant workload levels and we just buy in the additional
22 resources when we need them, so there have been
23 efficiencies gained in that respect.

24
25 Rate pegging, where it has lost its focus, is that it
26 has allowed the majority of councils to certainly maintain
27 the infrastructure that they inherited over a long period
28 of time, but rate pegging has never made a provision for
29 the renewal component of asset management, that is, that
30 the revenue stream we have been able to establish has
31 always allowed to us essentially put as much back into the
32 infrastructure as the depreciation that was being incurred
33 on a year-by-year basis. However, we always knew that at
34 the end of the day those stormwater drains, those roads,
35 those bridges and so on, would at some point have to be
36 totally replaced or renewed.

37
38 Rate pegging has not allowed or given local government
39 the capacity to establish the resources, the funding
40 resources, to meet those demands which are now really
41 starting to hit home. As I said before, a lot of our
42 infrastructure right around the state happened after the
43 Second World War and into the 50s and 60s, it was paid for
44 by the states and feds and there was never consideration
45 given to the whole of life costs of those assets and we are
46 now at the end of life of those assets.

47

1 Rate pegging has had some benefits, and I think the
2 special variation process has always made councils justify
3 the additional things they wanted to do, or why they
4 required additional money above that, but Ian also made the
5 very good point, the frustration that nobody really
6 understands how rate pegging is arrived at, that it does
7 not marry up with the award increase which is imposed on us
8 by State government.

9
10 We often see a rate increase of 2.5 or 3 per cent,
11 then they say we have to pay our staff an extra 3.2 per
12 cent or 3.5 per cent, and straight away you are in a worse
13 financial position than you were in the year before.

14
15 It does not marry up with construction costs, which is
16 a huge component of our budget, the cost of materials, the
17 cost of contractors, the cost of running a fleet has all
18 increased exponentially, and rate pegging does not marry up
19 with that as well. If we could at least justify that rate
20 pegging does reflect the true increased costs of councils
21 there would be a little more comfort about it and that when
22 you want a special variation you essentially apply for that
23 special variation based on doing something extra to what
24 you were doing before.

25
26 That special variation process, though, should not be
27 something that the minister determines. We were talking
28 earlier about accountabilities of local councils. If you
29 go through a local consultation process and your
30 councillors, who are your elected representatives, agree
31 that that increase is warranted and can be justified to the
32 community, who is the minister to say whether it should or
33 should not occur? If the council votes to say, yes, we
34 will set that special variation on behalf of our community,
35 that should be the end of it; it has been justified, the
36 community representatives have supported it, it is an
37 additional service you will provide, and that is how you
38 make it accountable.

39
40 The last thing I would say is that the notes we
41 received for today actually talked about between 22 and 30
42 per cent of the 152 councils in the state have applied for
43 special variations over the last three years. I would
44 almost guarantee that 90 to 95 per cent of those councils
45 are the ones that have been through the asset management
46 exercise and have identified the funding shortfalls and are
47 now trying to put funding solutions in place for the longer

1 term to meet those expectations when they arise.

2
3 I just think that unless there is some sort of
4 capacity, either for councils to set a revenue framework
5 with a fair bit of flexibility once they demonstrate what
6 their ongoing funding requirements for the infrastructure
7 will be, or there is an alternative source of funding,
8 either through a roads tax or GST or whatever, then we will
9 see many, many councils become unsustainable over the next
10 five to ten years.

11
12 THE CHAIRMAN: Ratepayer groups were mentioned earlier on
13 and we did have a ratepayers group attend our Sydney public
14 hearing. It argued that rate pegging was needed in effect
15 to protect ratepayers against what might otherwise be an
16 excess of rate increases by councils. Does anyone want to
17 comment on that or provide any further thoughts on that
18 argument?

19
20 MS PHELAN: In other states that don't have rate pegging
21 we have not seen massive annual increases in rates simply
22 because these local government bodies are held accountable
23 by their communities who won't tolerate unjustifiable
24 increases, so I think what that rating body is saying is
25 the pressure they put on their elected representatives in
26 itself acts as a mechanism for keeping rates as low as they
27 need to be and still allow council to meet community
28 expectations.

29
30 THE CHAIRMAN: Thank you.

31
32 MR BENNETT: One thing that councils are very mindful about
33 too is the intergenerational equity issue that we have, and
34 that is that if the people that are here and now say we
35 only want you to increase rates by 3.2 per cent, that means
36 in 15 years time when the next generation comes through all
37 the roads are falling apart and we have to increase rates
38 by 20 or 30 per cent. There is not a great deal of
39 fairness in that process.

40
41 We are being encouraged to do long-term planning,
42 become sustainable in the longer term, yet we are not given
43 the mechanisms to be able to set our revenue streams at a
44 level that means we can achieve those outputs. I will give
45 you an example. Dubbo City Council back in 2002 put
46 together a 30-year asset plan for its road network and it
47 was signed off by the Department of Local Government as one

1 of the benchmark asset management plans for the state.
2
3 That was based on a 2 per cent increase in rates above
4 the rate pegging limit for a period of ten years. That was
5 signed off and agreed to, not a problem in the world, yet
6 last year when we applied for our special variation on a
7 plan that the Department of Local Government held up as
8 best practice, it said you can't have it this year because
9 you had consecutive increases the year before.
10
11 That was the whole idea of the process, to justify
12 that we needed this revenue stream to be able to be
13 sustainable in the long term. But that one year, for Dubbo
14 2 per cent is worth around about \$400,000 a year, so we
15 lose \$400,000 this year. Next year that is worth \$800,000.
16 It accumulates rapidly to the point where you just cannot
17 then meet the long-term asset management plans that were
18 put in place and it just snowballs.
19
20 MR STYLES: What the discussion is highlighting is perhaps
21 a need for a two-part approach to how our rises arise.
22 Obviously there is a baseline to sustain assets that should
23 fall out of the integrated planning with the requirements
24 of their asset plans and then perhaps a service or growth
25 or whatever element that could be on top of it.
26
27 If you go back in time, there was a two-part wage
28 system back in the Hawke and Keating era. They established
29 that to drive the structure. What we get out of the wage
30 system now is the productivity stuff, but there is also a
31 fundamental thing here of the approach of the State
32 government to local government. Are we to believe that we
33 are local government but we are like other agencies, you
34 mentioned the ferries and all this, that IPART will
35 determine what our rises are. How does the rest of
36 government control its income or do rises to its income?
37
38 What do the feds and states do? They have their
39 authorities that are set up as sort of government business
40 enterprises which IPART looks after, but what about their
41 other stuff, how do they do the rises in that where the mix
42 of that is perhaps much more complicated with all the areas
43 of outcomes and bottom lines and things like that.
44
45 I presume the ferries and the other stuff that you
46 guys set is a much more structured single service entity
47 compared to local government, which I imagine will present

1 you with some challenges if you end up having a close
2 involvement with what the rises are that are set. There is
3 obviously a fundamental point here of are we apples and
4 apples in what we are doing in terms of the broad nature of
5 what is local government.
6

7 THE CHAIRMAN: Perhaps we should move onto the other
8 two discussion points, which are the issues of efficiency and
9 the use of debt funding to provide services.

10
11 MR STYLES: Orange has had a history of some quite high
12 debts with some crippling debt service ratios that led to a
13 major constriction of activities for quite sometime. The
14 concept of borrowing money for any form or renewal does not
15 seem sustainable to me. The concept of borrowing money for
16 capital works and expansion as opposed to renewal seems to
17 be quite a logical way to go.
18

19 If you look at your other sources of income, say from
20 developer contributions, they often don't occur at the time
21 you need the services so there is a revenue stream later
22 that can sustain some of that stuff. You might have to
23 fill the gap for a while. The whole idea of very, very low
24 debt service levels that some councils have sold as
25 positive points needs to be matched to how they are
26 delivering in terms of what their commitments are.
27

28 There is no point saying, great, we have a great big
29 financial nest egg and we don't borrow money if the
30 services aren't achieving the services they are supposed to
31 be achieved, because all you are doing is regressing the
32 local service to your community. Debt obviously has a
33 strong role. If you look at some of the inquiry stuff,
34 talking about gearing ratios up to 30 per cent could be a
35 bit too risky for local government, but certainly
36 reasonable debt service ratios are a very useful way of
37 delivering services. That can probably vary a bit.
38

39 There is a fair degree of risk aversion amongst the
40 auditors, I would have to say. And I am not counting
41 Orange's auditor in that, I am talking of other auditors,
42 for the record. You would have to look at, is it growth
43 driven or what is that you are borrowing for. If you have
44 a lot of growth, a big demand for services, that growth
45 appearing to continue into the future, perhaps you can
46 withstand a higher debt service ratio.
47

1 Then there is some of the really tough stuff like the
2 compliance and regulatory stuff. Orange is in the
3 situation where the requirements to strengthen our dam for
4 a one in one million year flood are very expensive and will
5 drive a particularly high debt service ratio, so you need
6 to be able to cushion that across the consolidated debt
7 service ratio as opposed to the debt service ratio for a
8 single fund.

9
10 Obviously attitudes to debt seem to change so that new
11 services or new infrastructure can be timely, and there
12 certainly appears to be a risk aversion to that within the
13 industry.

14
15 MR BAILEY: What do you mean by that?

16
17 MR STYLES: You have existing assets that you have to
18 replace at some time. I don't think it is particularly
19 sustainable to borrow money to do that.

20
21 MR BAILEY: I disagree with that. Just on the renewal
22 issue, I have a differing opinion to Garry on that
23 particular point because there are going to be
24 circumstances where there are very significant capital
25 items you have to renew at some point in time. To use debt
26 to do that I think is a good means of doing it.

27
28 Maybe what Garry is getting at is that during the life
29 of that particular asset you should be setting aside money
30 for its future replacement. If you are doing that, you are
31 probably doubling up on that generation of people who are
32 using that service or that facility and I don't know if
33 that is completely appropriate.

34
35 I feel that probably we have gone too far as far as
36 borrowing is concerned, that we have become or have been
37 too conservative for sometime now, and that loans are a
38 good thing to use to build or construct those big ticket
39 items.

40
41 I have been involved in councils in the past that have
42 used loan funds for very, very small items and I think that
43 is very silly. Loans as little as say \$70,000 or something
44 like that, for organisations our size to take out a loan of
45 that amount I think is quite silly.

46
47 MR STYLES: Can I just clarify: what you will find with a

1 lot of the new asset management stuff is that a lot of
2 assets have a service life and the practitioners have
3 assumed a level of what they call maintenance. You will
4 find that in a lot of modern asset systems that maintenance
5 has included periodic renewal items that sustain the life
6 of the asset, so really you need to understand the
7 differentiation between maintenance and renewal in terms of
8 your assets. If the engineers, for argument sake, are
9 running around saying a road will last 100 years, they are
10 assuming a level of intervention along the way, some of
11 which is renewal and not all of which is maintenance, and
12 that is the element of renewal I was talking about in that
13 discussion.

14
15 MR BAILEY: There is no question borrowing has a role,
16 both in the private sector and in local government, and of
17 course any borrowing in long-term financial planning is a
18 key element to ensuring that that practice is sustainable.
19 There is no question about that. The factors that
20 influence it that we have no control over are factors such
21 as cost shifting. You can't plan for that, that is
22 impossible. The other one is the real value of the
23 existing revenue streams. Obviously I am talking about
24 grant funding.

25
26 MS BENNETT: There is a political element here too where
27 often councils don't want to borrow money. They want to
28 make sure that there is as much flexibility as possible
29 going into the future. There is that incredible
30 conservatism that would describe our councillors out here,
31 that they do take a very conservative approach. They don't
32 see it as being politically palatable to put the council
33 into debt, they would feel politically exposed going too
34 far down that track. And you can see their point of view,
35 that the more you borrow and get caught up with, especially
36 with assets that, you know, words like "asset maintenance"
37 are not very sexy out there in the newspaper world and it
38 is not the sort of stuff that gets reported, whereas a new
39 skate park does. So that very careful management of how
40 that language of borrowings and all those things is really
41 quite challenging too.

42
43 MR ROGAN: Our council is extremely debt averse, which
44 supports the comments just made. I suspect we will
45 continue to be highly debt averse.

46
47 MS PHELAN: I can say the same again for Mid-Western,

1 particularly our general fund, that it is used as a bit of
2 marketing tool by councillors to be able to say, aren't we
3 good, we have kept the council debt free. It is not
4 necessarily a strategy that we endorse. It can be likened
5 to your personal lives as well. We don't save up until we
6 have \$300,000 to buy a house, we look to borrow in
7 appropriate circumstances. So I think as long as you have
8 got a framework around prudent financial management and
9 what would be considered acceptable limits and debt service
10 ratios, given the particular circumstances of your council
11 then debt or borrowing should be a very useful tool.
12

13 MR BENNETT: I think all the comments that have been made
14 are right but any decision made by any organisation,
15 whether a council or otherwise, to utilise debt as a
16 finance instrument has to be based on the business case for
17 the particular investment that you are going to make.
18

19 Roger was right in saying that it is a very good tool
20 to utilise at the beginning of an asset's life, to borrow,
21 and as long as you tie the debt essentially to the life of
22 that asset so that you have that intergenerational equity,
23 again that is a very valuable tool.
24

25 Debt is also very valuable in evening out the peaks
26 and troughs that we have in our financial commitments and
27 the renewal of assets from time to time. And Garry was
28 also very right in saying that a component of the cost that
29 you have to make provision for during the life of an asset
30 has a renewal component. It is not all maintenance. There
31 are pieces of that asset and parts of that asset that will
32 have to be replaced during its life.
33

34 Debt is one of those things that people really have to
35 understand that it does not really cost you any more, it is
36 all about saying that the dollar today is worth more than a
37 dollar in ten years time, hence that is why you pay the
38 interest. People tend to think, why not just utilise
39 internal funds, and do not think about the cost of
40 utilising those internal funds.
41

42 There is opportunity cost and the income you could
43 earn on that money as well, so it is really more about good
44 business case preparation, making sure you marry up debt
45 with the purpose of the asset and the life cycle of the
46 asset.
47

1 Dubbo had a zero debt service ratio back in 2001 and
2 now it owes about \$60m at about 8.5 per cent, but it is
3 extremely comfortable with that because it was done for the
4 right reasons, and that is for major improvements in
5 infrastructure that will have a 20- or 30-year life and all
6 of those debts will be repaid over that same term.
7

8 MR BAILEY: Mr Styles has stolen my thunder a little bit.
9 Coming from the private sector, in private practice, I will
10 give you an analogy. Leasing is a form of debt funding.
11 There are two cases for leasing in the private sector. You
12 either haven't got the cash or you want to expand your
13 business and the only way to do that is borrow the money,
14 it is as simple as that.
15

16 MS BENNETT: Another point probably in defence of some of
17 our conservative councillors out there is that they often
18 feel that they are in an unknown forward-going environment
19 where they know that their ongoing income is being eroded
20 by a rate peg, there is a whole angst in councils about
21 what that will be and there is all this discussion, so
22 there is this very conservative financial environment that
23 is set up inside organisations. They don't even know when
24 it will happen, so there are all these differing models
25 based around something like 2.5 per cent every year and it
26 just generates this feeling inside councils of
27 conservatism.
28

29 It is difficult in that environment when there are
30 also these other unknowns about we don't really know, for
31 example the fire service, whatever that will be, perhaps if
32 it does not arrive at the right time to fit in, so all
33 these differing bits of information that are unknowns that
34 can affect what those decisions are going to be just
35 generates an incredible conservatism inside councils.
36

37 I don't know how well understood that is by IPART but
38 there really is in that room with the general manager and a
39 couple of directors talking about where the future will be
40 going and what we can afford in debt service, a very
41 conservative climate, and that is very much generated by
42 external factors that councils have no control over.
43

44 THE CHAIRMAN: I noticed that no-one has yet talked about
45 the scope for greater efficiency.
46

47 MR STYLES: The State Government has made a fair bit out

1 of alliances and things like that to perhaps drive greater
2 efficiencies. There is certainly some scope for that but
3 some of the upspeaking of it has got ahead of the
4 deliverability of it. Notwithstanding that, there are lots
5 of ways where we can learn from each other where things are
6 being done better in other localities. Certainly we will
7 be interested in talking to Dubbo on their structure about
8 how they do the management plan for the integrated planning
9 requirements, so there is scope for greater efficiencies.

10
11 The management task is trying to identify where you
12 learn about this, who is doing what well, where you find
13 it, because there is certainly some scope for greater
14 efficiencies. Unfortunately the comparative information
15 you get is just a snapshot sort of thing that might trigger
16 an interest a little more deeply because it does not really
17 enable you to see the story behind the figures, but those
18 greater efficiencies, Paul mentioned New Zealand for asset
19 management, there is certainly stuff you can learn there,
20 and stuff you can learn from other states.

21
22 Some of the best practice stuff that the department is
23 driving certainly gives you a bit of a cue on what might be
24 happening well elsewhere. There are other things that are
25 needed like, perhaps one of the professional associations
26 could develop it, indicators on back office costs and
27 things like that that are not really focused on by local
28 government, it would be helpful to try to get a grip on
29 just how lean and mean or otherwise you might be; some of
30 those other things that help you get a more business like
31 grip on your expenditure and things like that.

32
33 Despite the way that prices have gone up, the sort of
34 local government pooling of insurances has been a good
35 example of how you might get some better efficiencies. The
36 very nature of how things are happening in the insurance
37 sphere is always difficult but that grouping has seemed to
38 be somewhat effective.

39
40 There are lots of examples out there, but it can be
41 quite a task to identify them. The best practice visits
42 that you get from DLG are very, very structured and I
43 wonder a bit about one size fits all for that sort of
44 stuff.

45
46 MR BAILEY: Garry Styles mentioned several things I was
47 going to talk about, such as comparatives and resource

1 sharing. There are further efficiencies that could be
2 achieved. Organisations such as LGMA are doing some good
3 stuff in terms of their policy work so that we are not
4 reinventing the wheel. The department has also started
5 doing some good stuff in that area as well through things
6 like the code of conduct. I am not talking about the code
7 of conduct itself, but the fact that the model code of
8 conduct is the minimum for all councils across the state so
9 we don't have to go in and generate that minimum level
10 ourselves. We can go further if we wish. I would like to
11 see some more of that.

12
13 MS BENNETT: Garry will probably have to fill in on this a
14 bit later, but we could look at public private
15 partnerships, and that is working a lot with government
16 with the private sector, but there are limitations. Garry
17 might like to speak about that. Often we have these ideas
18 about efficiencies, but there are compliance and regulatory
19 issues that hobble you the whole way. We have found that
20 when we are trying to be creative and trying to find better
21 solutions.

22
23 I run an organisation called Centroc. We have
24 17 member councils. There are limits to the structural
25 things and the sorts of activities we can do driven by the
26 statutes of parliament relating to local government and the
27 environment. That makes our activities challenging.

28
29 Typically with Centroc, we will trial something in one
30 council. If it is successful, then we will roll it out
31 around the regions. It could come at significant cost
32 savings across councils. We are about to trial a tender
33 evaluation tool. Given that often it is at the director
34 level where tenders are being evaluated, if you could half
35 the time of that, it would have some good costs savings
36 across the region. Typically, we do four or five trials
37 along those lines over a 12-month period. We roll those
38 things out as well - regional contracts and those types of
39 things.

40
41 Where it is challenging is actually getting inside the
42 organisations, because every council is elected and they
43 are their own vote. You have, say, 12 people elected in
44 Orange and a number of people in Lithgow. They do things
45 their own way in each area. It is very difficult to get
46 the sorts of alignments you need across the councils to be
47 able to get really significant levels of efficiency. One

1 would hope in time that those things will happen. At the
2 end of the day, it does run counter to the way local
3 government areas work, which is: "These are our
4 boundaries. We do things our way. We respond to our
5 community and we have our priorities." That doesn't lend
6 itself to having those sort of more regional things
7 happening.

8
9 MR STYLES: Just on the PPPs, we have had a little bit of
10 experience with that. It is obviously a method in favour
11 with the state government for understandable reasons. I
12 think there are some reasonable opportunities in local
13 government to get into PPPs. The framework around it is,
14 I would suggest, still early in its life. I would hope it
15 would change with time as the industry and the DLG gain
16 more and more experience. It can be tough to get an
17 approval for a PPP. I am not saying that shouldn't be the
18 case, but I think there is some room to streamline there as
19 you go forward, because I think with some of the greater
20 challenges there might be an opportunity to deliver some
21 services and some infrastructure.

22
23 Just the fact that we are talking about efficiencies
24 is an interesting thing because it is all about our focus
25 on how you use your inputs. The whole question about level
26 of service was spoken of before. If you are looking at
27 cost savings or perhaps structuring on how you do expend
28 your money for the best effect, that is sort of a bit
29 outside efficiencies; that is the bigger picture on what
30 your role is, what you're doing, what you can afford - all
31 that sort of thing. We are talking about inputs here.
32 Whether it is the outcome that might be best achieved for
33 the community or not doesn't arise. It is the inputs.

34
35 THE CHAIRMAN: Getting outputs at minimum cost.

36
37 MR STYLES: The decision on what the outputs should be is
38 a very, very powerful thing in how financially viable you
39 might to be.

40
41 MR ROGAN: It seems to me that in any sector, private or
42 public, one of the common features of good management is
43 business benchmarking. Again as a newcomer to local
44 government, I see some attempts at benchmarking and I note
45 that there is the Department of Local Government
46 comparative information that someone referred to earlier.
47 Yes, there are some interesting benchmarks and capacity to

1 compare your council with other councils, but, as was
2 mentioned earlier, it appears to be untimely and therefore
3 not very useful for you in making business management
4 decisions. It also does not get down into the business
5 very much, from what I can see.

6
7 I am interested to hear reference to the fact that
8 LGMA and other organisations within the local government
9 sphere may be looking at business efficiency indicators,
10 possibly benchmarking. I would be strongly advocating that
11 either IPART, LGSA, LGMA, or someone, look seriously, not
12 just within our sector, the local government sector, but
13 within the private sector at how business benchmarks on
14 overhead costs and ratios, plant productivity ratios and so
15 on. There is no rocket science in it. They are basic
16 business parameters that I am not convinced aren't relevant
17 to us, but I am not seeing it there. I would welcome
18 comments from more experienced managers in local
19 government about whether it is there or whether they believe
20 it is relevant.

21
22 MR BENNETT: I will answer Ian's question first. I don't
23 think they are there. While the comparative benchmarks we
24 get might help you justify some things within your local
25 community, that comparative information doesn't have
26 anything to do with service level, satisfaction or anything
27 like that. It certainly doesn't provide any benchmarking
28 against the private sector to tell you whether a whole
29 group of councils that might be put together might all be
30 50 per cent above the commercial mark for a particular
31 service - who knows?

32
33 Efficiencies certainly will be driven by technology
34 more than anything. Jenny made a very good point that the
35 opportunities exist for local government when we are
36 essentially individual branches of one industry. I know
37 some people don't like thinking about it this way, but we
38 all have to comply with the same Act. We are all dealing
39 with local communities, who might have their own
40 idiosyncrasies, but, at the end of the day, they are all
41 after the basics of a better life and so on.

42
43 The opportunity is there to better align things like
44 our policies, our procedures, the resources and products
45 that we utilise. That would give us more opportunities to
46 centralise some of those services. Certainly with the
47 skill shortage, we could better utilise the technical

1 expertise of individuals.
2
3 We find that a lot of councils will have a you-beaut
4 engineer who specialises in a particular area, but they are
5 not utilising those skills to their maximum capacity
6 because the organisation they work for doesn't need to
7 utilise those skills 100 per cent or even 80 per cent of
8 the time. Maybe there are opportunities here, and we are
9 doing this through the Lower Macquarie Alliance at the
10 moment with our water alliance. We are saying that Dubbo
11 City Council has a lot of expertise in water management,
12 and integrate water cycle management, so we will lend that
13 expertise to councils such as Narromine and Warren and
14 assist them in achieving best practice, which Dubbo City
15 Council has already complied with.
16
17 I believe that there are a lot of opportunities
18 for regional councils to take a more proactive role in
19 making their technical expertise available and offsetting
20 those costs by giving a cheaper option to somebody like
21 Ian Rogan. Instead of him having to buy in an engineer
22 with water expertise, he can use that engineer for a short
23 period of time, for the hours that he requires and, for an
24 organisation like Dubbo, we get some sort of recompense for
25 the utilisation of those resources, which could otherwise
26 potentially be idle time.
27
28 There are a lot of things that can be done.
29 Consistency of policies and the services we deliver comes
30 down to centralised call centres, centralisation of
31 technology, using common technology among individual
32 organisations. You could centralise back-room functions
33 such as payroll, creditors, debtors rating. Again you
34 would have a centralisation of expertise without taking
35 away the local focus for policy setting and still meeting
36 those individual expectations of each council.
37
38 I think there are an enormous amount of things for us
39 to pursue and, yes, with the LGMA. There is a resource
40 sharing network that has been established by the department
41 as well. They are all working towards those things, but it
42 seems to be a very difficult process to get councils to
43 break out of their isolation within their own boundaries.
44
45 THE CHAIRMAN: Are there further comments on this?
46
47 MR STYLES: Some of Paul's comments on the best practice

1 stuff highlight the issue about looking at efficiencies and
2 inputs as opposed to looking at outcomes. If you take our
3 two organisations, Orange is challenged for total water
4 supply; yet it fully complies with best practice for water
5 supply management and all that sort of thing. Dubbo fully
6 complies with the benchmarking, but has quite high levels
7 of usage per tenement for houses. So we have all this
8 compliance with best practice, but what is the bigger
9 picture? That's what we need to look at.
10
11 THE CHAIRMAN: I would like to bring the session to an end
12 if I could. Firstly are there any further comments from
13 people at the table?
14
15 MR ROGAN: That was a very nice way of saying you use too
16 much water, Paul.
17
18 MR BENNETT: I live in Narromine, don't forget.
19
20 THE CHAIRMAN: Are there any comments from people in
21 the back of the room?
22
23 MS McLEISH: I am Susan McLeish. I am chairman of the
24 Business Economics and Trade Committee, NSW Farmers
25 Association. I come from Quambone - so rather in the area.
26
27 I know this may have been discussed before I arrived
28 and I am sorry, but there were a considerable number of
29 roadworks along my way, plus several graders, which
30 somewhat slowed my progress.
31
32 I wonder if you've really drawn out the problems we
33 have in assuring even our targeted revenue raising from our
34 capped rates in times of drought. I know a lot of the
35 councils that I have had anything to do with have been very
36 much limited in their ability to actually enforce rates
37 particularly upon the farming sector and there have been
38 considerable calls for the farming sector to get some help
39 from government. I wonder if you've even thought of the
40 councils appealing from their side of things because of the
41 fact that the revenue just isn't there. You can't depend
42 on it. It makes it very hard to do your long-term sort of
43 planning.
44
45 I took particular interest in the comments on going
46 into debt for capital items. I am a banker. I was a
47 banker in London for 20 years and I did a lot of venture

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1 capital work in Eastern Europe when it was being opened up.
2 I think we would be very naive to think that as councils we
3 can go without using debt as an instrument conservatively -
4 our friends on this side of the table seem to be a little
5 less conservative - but still tying it to the asset life.
6

7 That is, I suppose, where I see that there could be
8 some fallback in times of exceptional circumstances for
9 your regions. You have done all the right things, you have
10 got all the right projections, but the revenue stream just
11 falls away.
12

13 I love the talk of efficiencies. To me it seems
14 impossible to get local governments to work together in any
15 great form because they always seem to say, "Oh, that's
16 their bit of road. That's why that has so many potholes in
17 it"; or, "That's why their bridges are falling down." From
18 a farmer's point of view, we would love to see more working
19 together. I know that Narrabri council actually
20 contributed a great amount of knowledge to Coonamble that
21 enabled them to extend their roads somewhat and their
22 road-making program and their repair program with a lot
23 more efficiency. It was one of the best things we ever did
24 in our area.
25

26 The other thing that we saw when we went over the
27 actual submissions was the lack of transparency in how
28 decisions were arrived at, and particularly in relation to
29 appeals against the actual rate pegging and the problems
30 that you have in that you have to now go for grants in many
31 areas. I heard with great interest, Clare's comment about
32 how often you find yourself in areas you shouldn't or
33 wouldn't typically be involved in because it is sort of a
34 backdoor way of getting else done.
35

36 I don't think that that is essentially bad as long as
37 you have the personnel. That is where I find we have a
38 real problem in rural areas because we are, by very nature
39 of the economy at the moment, a diminishing resource.
40 Whilst our city colleagues know there is an income stream
41 coming, in, we don't necessarily know that. We know that a
42 large proportion of our population is moving. I know Dubbo
43 is growing. I don't know whether Orange is, but a lot of
44 our communities are shrinking. How can we address that?
45 Should it not be an EDO for several related councils who
46 does a plan?
47

1 I was at an NRAC meeting a while go. We were looking
2 at the CMAs and how they have to look at getting money from
3 the government. Now they have get together in groups and
4 they are being encouraged to get together in groups so that
5 the actual efficiencies of scale that they achieve as well
6 as economies of scale are far greater. That was just a
7 line of ideas. Thank you.
8

9 THE CHAIRMAN: Thank you very much. We might try to
10 draw the session to an end now and break for lunch.
11

12 Just by way of summary, if you like, I think we have
13 had a good discussion on rate pegging. There has been
14 discussion about the fact it has led to efficiencies, at
15 least in the past, and I take the point about capacity to
16 pay. However, there was a sense that it may be causing
17 problems now and into the future, particularly in terms of
18 not being able to provide for asset renewal.
19

20 We had a discussion about debt. I think most people
21 thought the debt was appropriate in the appropriate
22 circumstances, but perhaps sometimes councils were a little
23 conservative given their environment. We noted there was
24 scope for greater efficiency, particularly through
25 combining councils and through the benchmarking processes.
26 I think that is where we got to so far.
27

28 We should break for about 45 minutes, which gets us to
29 about 1 o'clock by my watch. We will resume here again to
30 talk about options and priorities. Let us break now and
31 resume again at 1 o'clock, thank you.
32

33 LUNCHEON ADJOURNMENT
34

35 UPON RESUMPTION:
36

37 THE CHAIRMAN: Ladies and gentlemen, we will resume
38 with our third session which discusses options. I will ask
39 Michael to introduce that now.
40

41 MR SEERY: Thank you. In the issues paper, we identify
42 five options for regulating local government revenues.
43 These options are not necessarily the only options
44 available, but at the time when we put the issues paper
45 together, we thought they were the ones worth exploring.
46 There were a small number of alternative options discussed
47 in submissions to this approach.

1
2 The five options which are up on the screen can be
3 summarised basically as: option 1 is retain rate pegging
4 with some modifications, and those modifications would
5 basically address some of the concerns regarding the
6 existing approach, for example, innovations and
7 transparency of the special variation process; however that
8 would be tinkering around the edges.
9
10 Option 2 would be a disaggregated form of rate
11 pegging, which is pretty much giving opportunities for
12 different councils to have a different rate peg. For
13 example, you could group councils, say, in the outer fringe
14 areas or in regional areas or in inner city areas and give
15 them a different cap.
16
17 Option 3: this approach would involve removing the
18 capital expenditure component, revenue from the cap, so
19 that could be regulated separately or provided for
20 separately and only the operating component of revenue
21 would be incorporated in the rate pegged amount.
22
23 Option 4 is to exempt councils from a rate peg subject
24 to them meeting certain criteria. In other words, in this
25 option, everyone is in except for those who meet the
26 necessary benchmarks.
27
28 The fifth and final option was to remove the mandatory
29 rate pegging with a default cap. What that would be is
30 that everyone would be out of the rate-pegged amount and
31 would only be dragged back into rate pegging if there were
32 some specific reasons for that to occur, in which case you
33 would have a default amount.
34
35 Most submissions typically from councils supported a
36 self-determinative role for rates and were pretty much in
37 favour of option 5. However, if rate pegging were to
38 continue, there was strong support for option 4. There was
39 also some support for some form of disaggregation of rate
40 pegging.
41
42 MR STYLES: In here you have used the language "pegging"
43 and "cap". To me that sort of means that if that's what
44 you get, it is not necessarily tied to our increases in
45 costs, or are you talking about some sort of valuation to
46 establish what that peg or cap would be based on our costs?
47

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1 MR SEERY: The terms are probably used interchangeably.
2 The rate pegging relates to the process more and the full
3 cap is actually the amount, the maximum increases you have.
4
5 MR STYLES: The question is how will you get there? A peg
6 or a cap now is something arrived at by the state
7 government which has all sorts of influences. Just what do
8 you mean by getting to the peg or the capped amount? Will
9 it be tied to the increase in our costs or will it be more
10 the same?
11
12 MR SEERY: Are you talking about option 5?
13
14 MR STYLES: I am just referring to the words "peg" and
15 "cap" in there. Do they mean more of the same of what
16 we've had over the past?
17
18 MR SEERY: In general, yes. The discussion points for
19 this session boil down to four questions: once again, there
20 is a much larger set of questions in the discussion paper,
21 but we thought these would be the ones best to be addressed
22 in this forum. What objectives should underpin the
23 regulatory framework? The discussion paper lists a number
24 of objectives. Do those adequately cover the field or
25 should some other objectives be included? Those objectives
26 could include things like achieving financial
27 sustainability, efficiency, prudence, accountability,
28 openness, transparency and the like.
29
30 Which of the options we had up on the screen
31 previously or any alternatives meet these objectives and
32 how could these options improve the accountability of
33 councils? How can we move forward with these regulatory
34 options, whether they are an exclusive set or there are
35 some other options we can think about? What role should
36 IPART play in setting local government rates and charges in
37 future years. Some people have suggested that IPART
38 shouldn't have a role and that people should be left to
39 their own devices. Alternatively, a different view in that
40 regard is that that could be rightly the role of government
41 themselves rather than an organisation such as IPART.
42 Others have suggested that IPART should have a role in
43 determining the cost index or a cost index; or,
44 alternatively, IPART should set the maximum rate that
45 should apply in any particular year. Others have suggested
46 that IPART should perhaps just have a watching brief.
47

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1 Should there be scope in the regulatory framework for
2 diversity? How could we help rate this diversity in such a
3 framework? Can we base the regulatory system on a number
4 of subcategories? If you're going to keep rate pegging,
5 for example, is there a single index that applies to
6 everybody and then some form of variation in particular
7 situations?

8
9 In Queanbeyan last week, one of the councils suggested
10 that IPART could calculate a number of indices and each
11 council would have weights that they would apply to those
12 and that would give you an index for that particular
13 council. These are some of the options that have been
14 canvassed.

15
16 THE CHAIRMAN: Before I ask you to discuss this point, I
17 thought it might be useful if I could fill you in on where
18 discussion of the issues ended up in Sydney because that
19 might be a useful point of reference to see whether you
20 agree or disagree.

21
22 Firstly, there was a lot of attraction to the idea
23 that IPART should calculate one or possibly a number of
24 cost indices for local government. There was a lot of
25 sympathy for that. It was suggested that that might form
26 the basis for rate pegging. However it was also suggested
27 that there should be provision to exempt councils for rate
28 pegging if they followed the right processes in terms of,
29 if you like, their planning and their integrated and
30 financial resource planning as we discussed earlier.

31
32 That probably is the conclusion that emerged from the
33 Sydney hearings insofar as I am aware and also the other
34 regional hearings we have had.

35
36 MR SEERY: Yes, that's right.

37
38 THE CHAIRMAN: That is probably a leading proposition in
39 our minds at the moment, but we haven't made up our minds.
40 We would be interested to know whether these ideas work in
41 this area or not or whether you have some better
42 suggestions that we should consider. With that, I would be
43 happy to take any comments.

44
45 MR BAILEY: Could I ask a question before we do?

46
47 THE CHAIRMAN: Yes, of course.

1
2 MR BAILEY: I believe that IPART addresses the increases
3 for a number of government organisations, such as transport
4 and the like. However, does IPART deal with multiple
5 organisations at the same time such as in New South Wales
6 with 152 councils, so --

7
8 THE CHAIRMAN: No, we don't and we couldn't. I don't
9 think we could look at 152 councils individually.

10
11 MR BAILEY: So if the suggestion of going to IPART for an
12 increase was to become reality, then each different
13 council, are you saying, would have to go to IPART to ask
14 for an increase?

15
16 THE CHAIRMAN: No, I don't think that was the thinking. I
17 think what we would suggest - it is only really a
18 suggestion; as I say, we haven't made up our minds - is
19 that we calculate a number of indices for different types
20 of councils or, alternatively, calculate a number of
21 components of indices. It could be each council taking
22 account of its own individual circumstances. So it might
23 be something for water. It might be something for rates or
24 whatever, or it might be based on their own costs - that is
25 an alternative suggestion - and that those IPART indices be
26 a reference point for rate pegging. I think there is a
27 question you might want to debate as to whether there
28 should be a special variation process.

29
30 There is also a suggestion that councils that
31 undertook planning processes could get again an exemption
32 from rate pegging. That is the sort of thing that was
33 suggested in Sydney. I am not saying that is by any means
34 the view here, but we are interested to hear your views on
35 that.

36
37 MR BAILEY: I will probably be expressing a personal view
38 here about the direction rather than a viewpoint of Lithgow
39 City Council. I feel in the first instance that there
40 should not be rate pegging. I think that, just going by
41 what is happening in the other states, that it can be
42 demonstrated that there will not be unrealistic rate
43 increases if it was left to individual councils to make
44 their own determinations. If there was a council that did
45 increase at an extraordinary amount and couldn't justify
46 that to the local community, obviously they would pay the
47 cost of that at the next council election.

1
2 If there is to be rate pegging, if rate pegging is to
3 continue, I feel at the moment that the process is probably
4 not a very open one in how the Minister determines what the
5 level is going to be and maybe that IPART could make a
6 recommendation to the Minister openly as to what that
7 increase should be based upon I suppose submissions made by
8 various associations, not 152 councils, and then the
9 Minister makes his or her own determination.

10
11 MR STYLES: I think it is important that there is a safety
12 net because plenty of organisations might take a while to
13 get to the point of even being able to satisfy themselves
14 that they have a structured case to seek whatever rise, so
15 I think there should be a safety net there.

16
17 With I guess the broad views on autonomy for local
18 government, obviously some form of self determination is
19 idea logically there but I do think if we are going to go
20 down that path there does need to be some indices developed
21 so we can at least inform ourselves in building our
22 structured case for what we might seek to rise or not the
23 rates, so the idea of indices from IPART that might inform
24 the industry and the idea of a safety net for those that
25 won't do all the core planning criteria and all that sort
26 of stuff, who may for whatever reason not be able to do
27 that, I think that is essential.

28
29 If there is going to be some form of regulation, it
30 does need to provide a little bit for diversity. I don't
31 expect 152 councils but surely there can be some
32 consideration of circumstances for a few different types of
33 councils, whichever category they may fit, because broadly
34 across the state there are different influences on the
35 budgets of different councils, so one size fits all for
36 that does not work for the safety stuff.

37
38 If it is going to be regulated, I certainly like the
39 idea of either setting a core rise amount that is based on
40 your ongoing operations and then providing councils with
41 some discretion for their forward program or expansion of
42 operations that they are obviously accountable to the
43 community for. So I am probably more for option three,
44 although I have mentioned option four, that if they go
45 through all that planning criteria and can demonstrate
46 their robustness they have probably got a bit of a claim as
47 well.

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1
2 MS BENNETT: A lot of our smaller councils will be quite
3 challenged, at least in the next few years, to be able to
4 come up with, if you are going to have it locked out, that
5 amount of integrated planning done. I know they will have
6 to at local government anyway, but a lot of this could be a
7 question of timing and phasing so that - and I suppose
8 readiness for councils to set their own rate. At the
9 moment it is not set for them, they don't even think about
10 it, so I would hope that if we go down that track it will
11 be phased in, recognising differences in councils'
12 capacities to be able to deliver on determining their own
13 rate and perhaps assistance provided in that area, those
14 sorts of things.

15
16 It will ultimately be, certainly for the councils that
17 I was writing the submission on behalf of, they generally
18 spoke that they wanted to have control over that
19 themselves. It is one thing to say and another thing to
20 deliver.

21
22 MR STYLES: On the indices, when talking about that do I
23 understand it to mean some sort of independent look at what
24 our costs are rising by to form an opinion on what might be
25 the challenge we need to rise to?

26
27 THE CHAIRMAN: I would imagine it would be an index
28 that looks at your costs, how those costs have increased over
29 the past year, and adds that up.

30
31 MR STYLES: That being the case, what about all the
32 catch-up over other years?

33
34 THE CHAIRMAN: I think I will leave that.

35
36 MR ROGAN: Looking at the first point about objectives, I
37 am finding myself holding two principles that to me at
38 least are a bit contradictory. One is that I think our
39 ratepayers have a reasonable expectation of a continuing of
40 some form of pegging, as I think Garry used the term,
41 safety net. I think I hold that personally as well. I see
42 that, if we took a vote, I reckon a clear majority would be
43 for a continuance of some form of financial safety net in
44 the form of a pegging type process. That is one principle
45 that I hold pretty strongly.

46
47 The other sort of contradictory principle I hold is

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1 that I feel very strongly that I would object to
2 centralised regulation of what we charge for the services
3 we provide. I read in the papers suggestions that this
4 pegging, or the principles around pegging, might be applied
5 not just to our rates but how we charge for the services
6 that local government provides.
7

8 Most of us have argued here today that the relative
9 importance of those services varies, the scale of those
10 services varies, our access to personnel varies, there are
11 all sorts of reasons why I would argue that for someone
12 somewhere to take a centralised regulatory approach to
13 setting what we charge for our water, for our sewer and for
14 our other services, I reckon I would argue really strongly
15 against.
16

17 We are going to come back later to talk about specific
18 options?
19

20 THE CHAIRMAN: If you want to talk about the options,
now
21 might be a good time.
22

23 MR ROGAN: I found myself falling into the option four
24 camp. I found myself feeling that there was a need, and
25 you used the term, the calculation of an index or indices
26 to guide the pegging approach. If pegging is to continue,
27 I would support that. I would argue that it is best done
28 in an organisation like IPART and not in the department or
29 the Minister's domain.
30

31 I am attracted to the indices or indexes being based
32 on our cost of doing business and I am also attracted
33 towards there not being one index for all councils, all 152
34 councils, but for there being a relatively small number,
35 say four or five, that reflect metropolitan, coastal,
36 regional, inland regional, rural and one other type of
37 index, and that the calculation of cost of doing business
38 and the annualised cost of doing business for those say
39 four or five categories would in my view be a more sensible
40 business like approach to setting some form of rate peg
41 than what we have at the moment.
42

43 MS PHELAN: Personally I have to say I am also a fan of
44 option four where we exempt councils from rate pegging
45 where they meet criteria. I think the criteria need to
46 reflect the objectives that we do want from a regulatory
47 framework, focusing on accountability and transparency in

1 consideration of community needs, recognising that each
2 local government area is unique and does have its own
3 needs.
4

5 On the flip side of that, though, councils that don't
6 necessarily have the resources available to them to embrace
7 fully the integrated planning requirements and the
8 resources that go into that may actually be the ones who
9 need it most and because they don't have the resources to
10 put into it, they may well be left behind with rate
11 pegging, so we need to come up with a way of ensuring that
12 councils have an equal opportunity to access the funding
13 they do need.
14

15 MR BENNETT: There is not much left to be said. I think
16 the underlying objective is financial sustainability, that
17 is it. To achieve financial sustainability you need to
18 establish an appropriate and adequate revenue stream for
19 whole of life asset management and also that provides for
20 an indexing of operational costs in real terms that reflect
21 movements in the market, so impacts on local government,
22 things like construction costs, award increases, costs of
23 consumables but also any additionally imposed requirements
24 by state or federal government policy; so not just an
25 indexing of current costs, you also have to think about
26 anything else we are being asked to do through changes to
27 legislation as well. That needs to be built into any
28 equation.
29

30 I don't see a lot of difference between three and four
31 in the options. I think four probably caused me a few
32 concerns, the points that Clare touched on, that is that I
33 think it could disadvantage some councils that maybe don't
34 have skills in place to be able to justify and meet the
35 criteria set by a system like that.
36

37 I like three for the fact that if we have a good
38 indexing of operational costs to take into account those
39 things I mentioned, it is easy then for the community to
40 see the cost of doing the things you already do and
41 increasing them by X amount, and that makes them
42 comfortable with the indexing of those parts.
43

44 And then the capital program, which happens as part of
45 the management planning process, community consultation
and
46 so on, if the community says it wants additional capital
47 expenditure on particular facilities then they are

1 obviously willing to wear that cost. So if the capital
2 costs are treated separately, I am very comfortable with
3 that process as well.
4
5 MR BAILEY: I would like to make a further comment, if I
6 may. At the end of the day, whatever the process is,
7 please don't burden us with more reporting. We spoke
8 earlier about the annual report and how we found that a
9 burden to our organisations. If we do have to do some sort
10 of reporting to IPART, or whatever, let's make it fairly
11 simplified if we can.
12
13 MR STYLES: Can I just clarify? With the exemptions in
14 some of those options, that then takes away the need for a
15 special variation process; is that what I am to understand?
16
17 THE CHAIRMAN: Yes, for those councils; for councils that
18 are retained under the --
19
20 MR STYLES: So we should not overlook that?
21
22 THE CHAIRMAN: No.
23
24 MR STYLES: If that is the case, we need to have that
25 included.
26
27 On the financial sustainability - that's obviously the
28 underpin of all this - I think we probably need to
29 acknowledge that the purpose of council is to deliver and
30 provide services for the community to meet aspirations and
31 all that and to retain financial sustainability.
32
33 On the safety net, I was more focused on the fact that
34 some councils won't be at the point where they can go
35 through the criteria. They will need a safety net as well
36 as the community having a framework that ensures that
37 things don't get out of hand a bit, so it is sort of a dual
38 safety net.
39
40 Susan?
41
42 MS McLEISH: Is it my turn?
43
44 MR STYLES: Is that all right?
45
46 THE CHAIRMAN: We shouldn't pass over the issues too
47 quickly perhaps. The first one was the objective of the

1 regulatory framework. The things mentioned here were
2 transparency, accountability, financial sustainability; is
3 that it? Is that the view of this group or is there
4 anything else?
5
6 MR STYLES: There are two other elements. There is the
7 stuff about acknowledging that it is a diverse and complex
8 entity with a degree of autonomy. I don't think the
9 framework should be all embracing so that it doesn't allow
10 for some flexibility with the autonomy, but the
11 accountability and providing the framework to ensure the
12 constituents are dealt with reasonably is particularly
13 importance. So there are those two other elements.
14
15 THE CHAIRMAN: Sorry, the second one was?
16
17 MR STYLES: The framework that ensures the safety net that
18 Ian was referring to for the community members, yes.
19
20 THE CHAIRMAN: Anything else on objectives?
21
22 MS BENNETT: I was a bit concerned with one of your
23 comments earlier where you were saying that whatever
24 happened would be about a way forward. The framework
25 really needs to consider the background as well. If you
26 are going to come up with something that talks about
27 percentages on where we are now, and where we are now is
28 actually a very nasty place where we are not able to
29 replace assets, then you are not really tackling the
30 problem, are you?
31
32 THE CHAIRMAN: No, I see that as a worthwhile --
33
34 MR STYLES: That is going to be one of your key issues
35 because the whole asset stuff is yet to happen in New South
36 Wales
37
38 MS BENNETT: I think the framework will have to pick up
39 that backlog somehow
40
41 MR STYLES: That is a very interesting point. So what
42 will happen if IPART ends up involved in this and one of us
43 does an asset strategy that shows a backlog of 150 million
44 bucks worth of catch-up and what is the framework for the
45 backlog? That could be enormously tricky.
46
47 THE CHAIRMAN: I am not sure I have the answer to that off

1 the top of my head. One might have to think of some sort
2 of special application
3
4 MS BENNETT: Perhaps in the rhetoric, you might recognise
5 that there will be a gap there.
6
7 THE CHAIRMAN: Or there could be a gap; for some councils
8 there probably could be a gap.
9
10 MR BENNETT: All local government has to recognise,
11 though, that the rates will not catch that up. You will
12 never be able to accumulate that from your current
13 community when it has been accumulated from all the people
14 who have lived there for the last 100 years. The rates
15 component is a part of the way forward to create this
16 sustainable revenue stream. In order to get our assets
17 back to where they were, there will have to be things like
18 Roads to Recovery, AusLink and other sources of funding
19 that will have to be injected upfront to get us back to
20 that level playing field.
21
22 MR STYLES: Alternatively, we could cut our cloth a bit
23 more to suit our circumstances with how ambitious we are
24 with the level of service.
25
26 MR BENNETT: True, but it's very painful.
27
28 THE CHAIRMAN: So we have discussed objectives. Are
29 there any other options that people want to suggest that we
30 should consider, or does that cover the field?
31
32 MR BENNETT: The only other thing I would like to see
33 about the framework is that more than one year is provided
34 and that we are told what the rolling increases will be or
35 what the projections are so that you can build that into
36 your financial modelling, your financial plans.
37
38 At the moment, we don't know whether it will be 3 per
39 cent, 3.5, 2, 5, and that has a huge impact. We are
40 talking hundreds of thousands if not millions for some
41 councils in variations from year to year. When we have a
42 new council, we should have some sort of projection to say,
43 "These will be the minimum rate peg increases over the next
44 four years."
45
46 MR BAILEY: And we get told them at the last minute.
47

1 MS BENNETT: It is an issue.
2
3 MR BAILEY: We need to be told before December.
4
5 MS BENNETT: Yes. It does create inefficiencies inside
6 councils when they are developing a series of models and
7 putting up a sequence of different programs which they have
8 to take to their councillors through their planning. I am
9 sure you are aware of all this, but the planning goes on
10 from December on. You have to talk to your councillors and
11 your community about it. So there are significant amounts
12 of modelling and what's in and what's out - and angst. It
13 just doesn't generate goodness at all. If that could be
14 tidied up, it would actually reduce the workload of your
15 staff, which would be an efficiency. It would also reduce
16 the conservatism and angst happening in the room because
17 when people operate with "knowns", they become more
18 competent, basically.
19
20 MR BENNETT: And we create expectations.
21
22 MS BENNETT: But you are asking them to borrow. You are
23 asking them to borrow money, you want their confidence.
24
25 MR BENNETT: You create an expectation when you put
26 together a program that says, "Okay, we think we are going
27 to get 3.5 per cent in rates." When it comes out and it is
28 2.8 per cent, you then have to go back to the community,
29 where you already have a management plan which may have
30 been agreed through a public consultation process and say,
31 "Now we can't afford to do X, Y and Z because we didn't get
32 the rate increase we thought we were going to get?"
33
34 THE CHAIRMAN: It is true that we do four-year price paths
35 and so on, that is true, but it does require a lot of
36 investigation for us, to understand what your potential
37 needs are over a period of years. So it's pretty intensive
38 on us, if you are looking at price paths.
39
40 MR STYLES: But after you have done it two or three years
41 in a row, you might be in a position to review how far
42 forward you might provide it.
43
44 THE CHAIRMAN: The point is well taken. I just wouldn't
45 want to promise something that we may not deliver.
46
47 MR STYLES: You have only asked about options for

1 regulating. Paul covered off on some other things - the
2 revenue sharing, the grants and all that sort of stuff.
3 That will have to be an important element of it. A large
4 part of some of the revenue sharing grants are for
5 operational staff.
6
7 THE CHAIRMAN: I agree, so rates are not the only source
8 of income.
9
10 MR STYLES: No, not by any stretch. There are also things
11 like some of the statutory costs that we apply for, say,
12 DAs where we lose money. There are all of those other
13 things that make up what our income streams are.
14
15 MR BENNETT: It could be something as simple as changes to
16 the maternity leave provisions, for example.
17
18 MR STYLES: That's right.
19
20 MR BENNETT: Things like that need to be built in as part
21 of the overall framework for the additional costs that are
22 going to be imposed by --
23
24 MR STYLES: Where we can charge fees and charges, I think
25 that is an important part of it as well. You are looking
26 at all the revenue streams, and you will have to look at
27 all the revenue streams to inform any decision you make
28 about the rates. Some of the statutory stuff burns us; we
29 lose money on it. Obviously we are under the same pressure
30 to keep them low. Although we do have discretion over the
31 charges, we are under the same pressure to keep them low as
32 well.
33
34 You also mentioned borrowing. There are all these
35 other things that councils can do that make up the total
36 balance of their revenue stream, not to mention the fact
37 that we have seen previous ministers, and I presume this
38 minister will do the same, working with their colleagues in
39 other state governments and going to the federal government
40 for the revenue sharing stuff, particularly once the assets
41 start to come on line. So all of other forms of revenue
42 need to be at least acknowledged and have some sort of
43 sense where they fit.
44
45 THE CHAIRMAN: I guess what we were thinking of is that a
46 fair number of councils would be exempted, but within the
47 safety net process, which we would have to determine, given

1 the limits on our own office, so to speak, and the extent
2 to which the affairs of a large number of councils would be
3 exempt, I think we could do something fairly simple, say
4 based on cost indices, plus perhaps the intervention
5 process. That might be as close as we reasonably could go.
6
7 MR STYLES: I'll bet you the state government puts it on
8 you guys to charge for the evaluation
9
10 MR ROGAN: On that matter of someone charging for a
11 service or, as I think Roger said earlier, not wanting more
12 onerous reporting requirements, I was wondering about a
13 potential sort of win-win thing. If it's IPART, or someone
14 else, who is going to use a credible process to calculate
15 changes in our costs of doing business to form these
16 indices that various people have talked about, that implies
17 to me us supplying that body, IPART or someone else,
18 statistics from our costs of doing business, to give you,
19 or them, a way of calculating those indices credibly.
20
21 That then seems to me to generate an opportunity, a
22 benefit for us, in a form of benchmarking. I don't like
23 asking the chairman questions, but, if IPART did become
24 involved in calculating these indices of our cost of
25 business changes, might you see an outcome of that being a
26 capacity to report back to us on how our business is going
27 on key efficiency type indicators, so we'd get something
28 for our money?
29
30 THE CHAIRMAN: I would imagine there would be some
31 sort of reporting back to you on what we did for various
32 councils. How sophisticated or elaborate it might be, I really
33 don't know. Remember what we were thinking of was really
34 a simple index that reflected cost movements in your business
35 rather than the efficiencies of your business.
36
37 MR STYLES: When you do your determinations for other
38 agencies, do you have to consider the consumer's capacity
39 to pay for those particular ones or is there any
40 benchmarking of, say, Sydney Ferries against Melbourne
41 ferries, or whatever?
42
43 THE CHAIRMAN: All of that, yes, we do.
44
45 MR STYLES: So what are your thoughts on how that might
46 apply to local government if that was approached?
47 Obviously we are all looking at it from one side about our

1 costs, but what about the capacity to pay stuff that you do
2 in those other assessments?
3
4 THE CHAIRMAN: It is worth remembering that we were
5 thinking that for councils who gain exemptions, a decision
6 on rate increases is a decision for the council, which will
7 make its own judgment on those things, depending on, among
8 other things, the index of costs they provide.
9
10 MR STYLES: Does anyone know if there are regional CPI
11 figures out there for, say, our region? Does that exist?
12
13 MR BENNETT: Can't you get them from ABARE, or
14 whatever that is? I am sure I have seen that. I am sure I have
15 seen that in the stuff the Western Research Institute does.
16 Is it Tom Warren?
17
18 MS BENNETT: Tom Murphy.
19
20 MR BENNETT: Tom Murphy has done stuff like that in the
21 past. I have seen them in a number of other areas as well.
22 We could certainly have them put together.
23
24 THE CHAIRMAN: That probably covers us on options. The
25 third point was the role of IPART. Are there additional
26 points that people want to raise on what IPART might be
27 able to do for us to consider?
28
29 MR BENNETT: Transparency. I think that is one of the
30 biggest frustrations we have at the moment. Having known
31 quite a number of people who work within the department and
32 having spoken with them over a number of years about how we
33 arrive at rate pegging figures, the way I understand it is
34 that there is a formula. Nobody can tell us what the
35 formula is, but there is a formula that is used by the
36 staff within the department. They come up with a number,
37 which is a recommendation that they make to the minister.
38 Then the minister basically just chooses a figure and takes
39 that to parliament.
40
41 That is what I have been told from staff within the
42 department themselves. They will not then come back and
43 say, "We recommended 4.5 per cent. They only gave you
44 3.2," or anything like that. Obviously you wouldn't expect
45 them to do that. Really what we are after is a
46 demonstration of a process from an independent
47 non-political body that accurately identifies the real cost

1 implications on our business that is then easily
2 justifiable to our communities.
3
4 MS BENNETT: Just where possible, just taking the politics
5 out of the exercise. A number of our councils that are
6 vaguely considering going down the road of looking at a
7 variation are very nervous given what happened in Blayney
8 with the huge political outcomes that came as a result of
9 that. Those sorts of things can happen anywhere at any
10 time, so where possible if IPART could take the politics
11 out of the exercise. Also if the process was delivered in
12 a more timely manner, that would be also be a good thing.
13
14 THE CHAIRMAN: The final one is diversity across councils,
15 a chance to add any further points on that issue.
16
17 MR BENNETT: I would say no. That just adds another layer
18 of complexity and is another thing that you have to justify
19 to individual communities about why they are different. We
20 already get some compensation for the diversity of
21 communities through the financial assistance grant process
22 with our disability factors and so on.
23
24 As far as rate pegging goes, and the component of our
25 income that that makes up, if there are true and fair
26 indices that we increase our rates by they should be fairly
27 uniform across all councils. And based on option three
28 where the capital component is considered separately,
29 developing councils will obviously utilise that more so
30 than councils that aren't developing so quickly, or even
31 going backwards, so I personally don't think there is a
32 need for diversity in establishing some sort of rate
33 pegging limit across different councils.
34
35 MR ROGAN: I think I would want to argue to the contrary
36 of what Paul has just said. Just thinking back to a
37 comment that Susan made before lunch about drought and
38 stuff and capacity to pay, I am wondering, is there not the
39 seed of a justification for differences in the way groups
40 of councils are treated in all of this in that principle,
41 that a rip-roaring drought across the western third of the
42 state indisputably influences the capacity to pay of a
43 large proportion of ratepayers in that region. Would that
44 not be one issue that could be taken into account in
45 setting the increased limits for next year?
46
47 To go back on what I said earlier, I would not want to

1 see infinite variability, in other words, a limit set for
2 each of the 152. But I would argue several grounds for the
3 rationality of four or five indices depending either on
4 scale or geographic location or a range of factors.

5
6 MR BENNETT: I don't dispute what Ian just said but you
7 have to remember that when rate pegging is actually set,
8 you don't have to take up the rate peg increase. You can
9 do it at anything below that. The rate peg increase has to
10 reflect the real change in costs of doing business and then
11 if an individual council says, well, we can't pass on that
12 full increase because of the extenuating circumstances, we
13 will only increase our rates by 1 per cent as opposed to 4
14 per cent, that is an individual decision for the council.

15
16 I don't think the factors that influence our cost of
17 doing business are that different. The capacity to pay,
18 absolutely, but that then becomes a local political
19 decision regarding that particular community without
20 disadvantaging any of the other particular areas.

21
22 MR ROGAN: Good point.

23
24 MS McLEISH: I have to disagree with you there. I think
25 the cost of doing business in remote communities is
26 incredibly diverse from that of a metropolitan area or even
27 a regional urban area and there should be a variation in
28 the indices according, as Ian has suggested, to scale and
29 geographical location. The cost of doing various things
30 varies tremendously and the requirement of the community
31 varies tremendously.

32
33 The other thing I thought perhaps you might have
34 looked at to put in your list of variables is cost shifting
35 from the state government, which is something that nobody
36 can predict but often we feel is inevitable. One should
37 consider that.

38
39 I would cite a problem that we had in our local
40 community in that we could not attract doctors without our
41 local government providing housing and holding all the main
42 infrastructure of the medical centre, including the
43 computers and the medical records so that people could come
44 in and out without any cost of shifting. That was how we
45 managed to locate doctors for our area. It is even harder
46 in more remote areas. That is a cost that local
47 governments have taken on in remote areas that would not

1 necessarily be required in a more urban or regional urban
2 setting like Orange or Dubbo or Mudgee.

3
4 I think you have to recognise the diversity of the
5 areas and the disparity of those various areas to cover
6 their costs. That is very important and I would commend
7 that to you.

8
9 MR STYLES: One thing we have not discussed that the state
10 plays a central role in is pensioner rebates and that sort
11 of thing. These can be given some consideration on how it
12 all works. You are hearing a lot from the federal government
13 right now about how inadequate it may or may not
14 be so I think that needs to be given some consideration.
15 The state government probably needs to play a role if there
16 is going to be an expansion or some sort of action there.
17 Ms McLeish mentioned cost shifting - that could be a biggy
18 if it is going to expand.

19
20 MS BENNETT: I imagine IPART has tried to keep its role as
21 streamlined and as small as possible whilst delivering as
22 much bang for its buck, but when I look at issues that our
23 rural and remote and a number of councils are having, like
24 the delivery of medical services, is there a role in there
25 for IPART to actually provide advice to upper levels of
26 government as well, you know, in the way you do your
27 reporting.

28
29 It is not just about setting a rate cap but is to some
30 extent like Ian was talking about earlier, how much bang
31 can our local government get out of the IPART buck, our
32 spend with you, to ensure that as much of the reality of
33 what is going on in terms of what local government,
34 particularly out here in rural and remote areas, is having
35 to do in terms of service delivery.

36
37 We find getting those messages across pretty
38 challenging at the best of times, so it would be very
39 useful if you could include in your role some function to
40 be informing. It would be wonderful if we could take the
41 IPART commentary on the delivery of non-traditional
42 services down to the federal government and say, "for
43 goodness sake, guys, give us a hand", that sort of stuff.

44
45 THE CHAIRMAN: Any final comments before we close off?
46 It has been very interesting and useful. I guess what I take
47 from that is that there is some attraction towards a system

1 in which, a transparent system, involved in the calculation
2 of one or a number of indices of local government costs
3 that might be used to inform the ratepaying process, with
4 the possibility of exemption from that of councils who meet
5 various planning requirements, and with a safety net for
6 those that find that onerous, with the possibility of
7 councils charging less than the rate pegging amount but
8 also the possibility of some consideration of circumstances
9 of councils who find that the IPART calculated index is not
10 sufficient to meet the maintenance backlogs.
11
12 I think that is pretty close to it. Okay, thank you,
13 we will move to the final session.
14
15 MR SEERY: This is a fairly short session. It is our way
16 of summarising the proceedings. We found it to be a useful
17 summary in the past. What we would like to do is give
18 everyone an opportunity to indicate what you see as the two
19 key priorities if we were to reform local government
20 revenue framework in New South Wales.
21
22 THE CHAIRMAN: I thought we might deal with this one by
23 going round the table and asking each person to name their
24 two priorities.
25
26 MR BENNETT: The two that I identify, the first one is
27 there has to be the establishment of clear accountabilities
28 for local, state and federal government, so a clear
29 definition of roles for each of those spheres of
30 government, and ensuring that when that process occurs that
31 any transfer of responsibility obviously has the
32 appropriate revenue stream transferred with it.
33
34 The second priority is to continue with this
35 comprehensive understanding of our asset base and the
36 resources we will require from a whole of life maintenance
37 and renewal perspective.
38
39 MR ROGAN: My two were, I do see a need for, a demand for,
40 improved benchmarking capabilities for local government in
41 general, whether they are efficiency indicators or simply
42 to allow us to better benchmark our fees, our charges and
43 rates. So that is point one.
44
45 My second priority was if rate pegging is to continue,
46 the process does need to be reformed. It needs to be based
47 on a more business like approach and certainly a more

1 transparent approach to setting the pegs based on improved
2 indices of the cost of us doing business.

3
4 MS PHELAN: Probably we will have quite a bit of overlap
5 here. For me it is either removing the rate pegging or
6 making it a more transparent and realistic approach to
7 reflect what is actually happening in terms of costs and
8 what we need to do, which then leads into defining more
9 clearly the responsibility of local government.

10
11 MR STYLES: Mine will be much the same. I have got proper
12 asset level of service and level of service sustainability
13 triggering better revenue sharing between the levels of
14 government, so that is number one. And a transparent and
15 effective rate setting, based on a variety of criteria, I
16 guess.

17
18 MS BENNETT: It is all good.

19
20 MR BAILEY: My ones are like Paul's, the clearer
21 accountabilities for local government and the levels of
22 government understanding what our responsibilities are. I
23 am struggling with a second one, to make up my mind, but I
24 suppose probably a greater share of revenue from tax
25 revenue, if that fits in.

26
27 MS BENNETT: I have changed my mind, I am supporting
28 Roger's second one as my first priority. If we are looking
29 at a framework, it has to recognise what the expectations
30 of our communities are out here, which is very high, so we
31 should be getting concurrent revenue that recognises that.

32
33 And the second one is that that revenue recognises the
34 sustainability, the delivery and the varying different
35 needs of our communities, so that whatever the framework
36 is, it does note that what the people in Orange do and
37 Dubbo do will be different to what people in Narromine and
38 Forbes do.

39
40 THE CHAIRMAN: Thank you very much for that. I will now
41 bring the meeting to a close.

42
43 I think we have had a most interesting an excellent
44 discussion and I guess we are much more aware of the issues
45 affecting this part of the state than we were when we
46 arrived this morning, so I am grateful for you doing that
47 for us.

1
2 I realise that some of you have come some way to join
3 us today and we appreciate the efforts you have made to
4 inform us. I think there is much we can take from this to
5 consider as we think about these issues and develop our own
6 thoughts on them, which we will do over the Christmas and
7 new year period, and we will let you know where we have got
8 to in May next year.

9
10 Once again, thank you very much for your participation
11 and for the constructive manner in which you have
12 approached these issues.

13
14 AT 2PM THE TRIBUNAL ADJOURNED ACCORDINGLY

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