

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF REVENUE FRAMEWORK FOR LOCAL GOVERNMENT

Tribunal Member: Mr Jim Cox

**Secretariat Members: Mr Michael Seery
Mr Michael Solo**

**Held in the Jacaranda Room,
Dubbo RSL Resort
Cnr Brisbane and Wingewarra Streets, Dubbo**

**On Friday, 11 September 2009, at 10.30am
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1 MR COX: Good morning again, ladies and gentlemen. I would
2 like to welcome you to this public workshop, which is being
3 conducted by the Independent Pricing and Regulatory
4 Tribunal into the review of the revenue framework for local
5 government.

6
7 I would like first of all to introduce myself. I am Jim Cox,
8 and I am the Chief Executive Officer and full-time
9 tribunal member, and with me today are members of the
10 IPART secretariat: Michael Seery, over on my right, who is
11 the program manager for local government review; and
12 Michael Solo who is here behind me.

13
14 The former Premier requested that IPART undertake a
15 review of the revenue framework for local government. The
16 Premier requested that the review consider three terms of
17 reference, and the workshop today will address the first
18 two of these terms of reference, as the third term of
19 reference is of particular interest only to a small number
20 of Sydney councils.

21
22 The two terms of reference that we will consider today
23 are: first, an appropriate intergovernmental and
24 regulatory framework for the setting of rates and charges
25 that facilitates the effective and efficient provision of
26 local government services in New South Wales; and,
27 secondly, a role for IPART in setting local government
28 rates and charges in future years.

29
30 This workshop is part of the tribunal's public
31 consultation process for the review, and is one of a number
32 of workshops that have been held in Sydney and in some
33 regional centres over the past four weeks.

34
35 During the past year we have released an issues paper
36 and we have received 65 submissions from local government,
37 interest groups and members of the public in response to
38 the issues paper. At the end of last year we held
39 workshops in Sydney and a number of regional centres,
40 including Dubbo, to discuss the key issues that were raised
41 in the submissions. In addition, we have undertaken 11
42 case studies of councils throughout New South Wales, to
43 understand in detail the issues that they face and how they
44 are addressing them.

45
46 IPART recently presented its draft report to the
47 Minister for Local Government, and we released it to the

1 public on 23 July. At the same time we have released an
2 information paper that details our comparative analysis of
3 revenue and expenditure between New South Wales and other
4 States.

5
6 Our report is a draft report, and it has been released
7 to the public so that we can test the propositions and the
8 recommendations put forward in the report. IPART has made
9 45 recommendations in this draft report in relation to its
10 proposed framework and its implementation. In relation to
11 rate pegging arrangements, IPART has put forward two
12 options for further consideration, and I would like to
13 discuss these options in greater detail.

14
15 Before finalising the report we want to listen to
16 councils and community on the proposals set out in the
17 report and consider submissions from interested parties.
18 Public submissions are due by 18 September, so the
19 submission period is still open.

20
21 All submissions received will be carefully considered
22 by IPART in reaching its conclusions on the framework for
23 regulating local government revenue. I would like very
24 much to thank those who have agreed to participate here
25 today, and some of you will have made some effort to get
26 here. IPART considers this to be a very important part of
27 its investigation.

28
29 Following consideration of the matters that
30 stakeholders raise in the submissions and at these
31 workshops, IPART will make its final recommendations to the
32 Minister for Local Government by final report in November
33 2009.

34
35 Before proceeding, I would just like to say a few
36 words about how this workshop will be conducted. The
37 agenda for this workshop indicates that there will be two
38 broad discussion topics for the workshop. The first will
39 provide a general overview of the outcomes of IPART's draft
40 report; while the second session will outline how the two
41 options that IPART has put forward in its proposed revenue
42 framework would work. These sessions are intended to
43 provide IPART with information to assist us in our
44 deliberations.

45
46 At the outset of each session there will be a brief
47 presentation to introduce each item and pose a series of

1 questions, and I will then invite members of the audience
2 to express their views on the issues raised or, indeed, to
3 ask us questions; and if you do ask us questions, we will
4 try to answer them.

5
6 IPART will make available a transcript of today's
7 proceedings, and this will be available from IPART's
8 website within the next week. For the benefit of the
9 transcriber, I do ask that you use the microphone - we will
10 get the microphone to you - and speak clearly, and also
11 introduce yourself and the organisation that you are
12 representing.

13
14 So, I would like now to ask my colleague,
15 Michael Seery, to introduce the first workshop session.

16
17 MR SEERY: Thank you, Jim. In this first workshop session
18 I will talk about IPART's draft report in general and will
19 highlight some of the key findings and recommendations in
20 the report. I will leave discussion about the details of
21 the regulatory framework to the second session, which
22 Mr Cox will be presenting.

23
24 The terms of reference relevant to today's workshop
25 basically require IPART to make recommendations on the
26 framework for setting rates and charges and for
27 recommending a role for IPART in that framework.

28
29 After considering 65 submissions and conducting six
30 public hearings in Sydney, regional centres and, as we have
31 said, in Dubbo last year, IPART released its draft report
32 on 23 July. The report includes a number of findings and
33 45 recommendations. Most of those recommendations relate
34 to the future arrangements for rate pegging, with a key
35 element of that being the local government cost index.
36 I will talk briefly about the cost index in this session.

37
38 I will also in this session outline some of the
39 findings of the report and the recommendations. As Mr Cox
40 has said, the draft framework puts forward two options -
41 option A, working on its own; or options A and B working
42 together. Mr Cox will discuss those options in the second
43 session.

44
45 So what are some of the key findings of our report?
46 In relation to rate pegging, IPART found that rate pegging
47 has achieved the government's original objective of

1 restraining rate increases. This is evidenced by the fact
2 that rates have increased by less than they have in other
3 states, but by more than the rate peg, and this has been
4 due to extensive special variations over the period. At
5 the same time, fees, charges and other revenues have
6 increased by more than other states; and, finally, the
7 increases in total revenue have been around that of other
8 States.

9
10 The details of our analysis in this particular area
11 are presented in an information paper which was released at
12 the same time as the draft report. There were some copies,
13 as there were some copies of the draft report, at the back
14 of the room. I think most of those are gone now.

15
16 Over the most recent nine-year period, whilst half of
17 councils have increased rates by less than the rate peg
18 amount - in that most councils have increased their rates
19 by the amount that was set by the peg, but a number have
20 gone considerably under because they haven't increased
21 rates at a particular time - a number have also increased
22 rates by more than the rate peg amount, and some councils
23 have increased rates by a considerable amount more than the
24 rate peg amount in that nine-year period.

25
26 In relation to the rate pegging processes, we found
27 that the process for determining the amount by which rates
28 increased under the rate peg is not transparent. That is,
29 the Minister announces the rate peg amount each year, but,
30 in most cases, it is not clear on what basis that amount
31 has been calculated. This is evidenced further by the fact
32 that the allowed increases do not necessarily reflect
33 council costs.

34
35 Secondly, in relation to processes for assessing
36 special variations, we found that these also are not
37 transparent, and that no basis or reasoning for the
38 decisions that were made in relation to whether or not
39 special variations were approved or not approved was
40 provided to councils or the community.

41
42 Another factor in transparency related to the fact that
43 other than through reading individual councils'
44 management plans, the community in general across New
45 South Wales weren't aware of how many councils put in
46 applications for special variations, and in the past there
47 has been no definitive list of those councils that have

1 received a special variation approval. I note, however, in
2 this year's media release the Minister listed the councils
3 that did receive approval.
4
5 In relation to the key findings on accountability,
6 councils are accountable to both the New South Wales
7 Government and the local community at the same time.
8 However, there has been limited engagement of community in
9 determining community preferences about revenue and
10 expenditure options.
11
12 In relation to diversity of councils, there is
13 considerable diversity amongst councils, which the revenue
14 framework must take into account. For example, there are
15 significant differences in councils' ability to raise
16 revenue. This is particularly evident in small rural
17 councils, where the income from rate revenue is a very
18 small component of their revenue base and they are heavily
19 reliant on grants for their income.
20
21 In relation to financial sustainability, we found that
22 most councils, but not all, are financially sustainable and
23 that rate pegging has not adversely affected their
24 financial sustainability. This has been possible because
25 New South Wales councils have met their expenditure
26 revenue needs through greater use of user charging, as has
27 been the experience elsewhere, and many councils have
28 applied for and received special variations.
29
30 However, a minority of councils are not financially
31 sustainable. In many cases, simply removing rate pegging
32 may not remove their structural problems or assist them in
33 obtaining a good level of financial sustainability.
34
35 When we compared the position in New South Wales to
36 councils in other States, we found that the financial
37 position of local councils in New South Wales is no worse
38 than in other States.
39
40 The evidence suggests that a number of councils may be
41 using revenues for capital purposes to fund recurrent
42 expenditure. In relation to capital expenditure, we found
43 that the reporting and accounting of capital expenditure
44 and maintenance is not consistent across councils. For
45 example, although it is clear that backlogs exist, the
46 evidence of the extent of those backlogs is not conclusive.
47 Also, backlogs may not necessarily be any worse than they

1 are in other States.
2
3 Councils overall in New South Wales are net lenders,
4 not net borrowers. Councils use less debt for capital than
5 they could, and they have a capacity for a greater use of
6 debt to fund infrastructure works.
7
8 In relation to cost shifting, IPART has a more narrow
9 definition of cost shifting than has been used in previous
10 reviews. IPART believes that cost shifting occurs where a
11 higher level of government requires local government to
12 undertake a function without adequate funding - for
13 example, when the state transfers a function it previously
14 undertook, with no funding.
15
16 Cost shifting does not include changes that would
17 apply more broadly to the community, for example, new
18 reporting requirements or the imposition of new health or
19 safety standards - for example occupational health and
20 safety requirements.
21
22 IPART's definition distinguishes between those cases
23 where local government is required to undertake a function
24 and those cases where local government decides to take on a
25 function, and it is consistent with autonomy and decision
26 making and accountability to the local community.
27
28 The draft report is not explicit on how increased
29 costs from these sources could be funded. However, whether
30 or not these costs are recognised as a cost shift, they are
31 not excluded from the framework. At the end of the day, it
32 is a matter of who pays - the higher level of government or
33 the rate payers - and the framework should be flexible
34 enough to address these concerns.
35
36 For example, the cost shift could be adjusted for
37 through either the cost index or through special
38 variations. Sorry, it would be more through the rate peg,
39 rather than the cost index, and what would happen there is
40 that whilst the cost index may be a particular number, if
41 the government considers that there has been a cost shift,
42 then they can make an allowance on top of the index to
43 cover off on that increased cost.
44
45 So what are some of the general recommendations?
46 IPART recognises that in relation to financial reporting
47 there has been some progress, but more is needed. Because

1 of some of our findings we believe that three areas in
2 particular could be addressed. Firstly, there could be
3 compulsory reporting of net operating results excluding
4 capital revenues. The focus to date tends to be on the net
5 operating result including capital revenues, and we believe
6 that to better reflect the operating nature of the
7 financial position, it should exclude capital revenues.
8
9 There should be reporting of maintenance costs
10 relating to public works and also annual expenditure on
11 renewal capital works.
12
13 There needs to be improved asset management based on
14 consistent definitions, and those definitions should be
15 prepared or defined by the Department of Local Government
16 in consultation with local government.
17
18 There should be regular reviews of community
19 satisfaction, and the results of those reviews and surveys
20 should be published in the annual report.
21
22 In relation to rate pegging, where councils forego a
23 rate increase in one year, there should be an opportunity
24 for councils to catch up on that foregone increase in later
25 years - for example if in a particular year council
26 decides, for any reason, that they shouldn't increase rates
27 in their council area, in the following year they could add
28 that increase to the increase for that current year.
29
30 Finally, regulation should continue to be on rate
31 revenue and not on total revenue.
32
33 I will just talk briefly about the local government
34 cost index. The local government cost index will be based
35 on an annual movement in the costs that councils incur and
36 will include a productivity factor. It is not a measure of
37 the costs of councils but, rather, the changing costs of
38 those councils.
39
40 We believe that there should be one index across the
41 whole of the state and not individual indexes for specific
42 regions or for specific groups of councils; it should be
43 calculated based on a basket of costs which reflect the
44 costs of councils; it should be retrospective - that is, it
45 would be calculated each year based on information
46 published for the previous 12-month period by the
47 Australian Bureau of Statistics; and the weights to

1 calculate the index would be established every five years,
2 based on a survey of all councils and their costs. We
3 believe the cost index should be independently calculated,
4 and we are proposing that it be calculated by IPART.
5
6 Once the index is calculated by IPART, the Minister
7 would determine the annual increase in rates for most
8 councils.
9
10 As to the time frames, we believe that a local
11 government cost index approach could be in place for
12 2010/11, however, this would require IPART to undertake a
13 survey of costs at the end of this year of all councils.
14 The medium-term arrangements under options A and B
15 would commence around the time of the next council election
16 - that is, after the 2011/12 financial year.
17
18 The review timetable: as I mentioned earlier, we
19 released an issues paper in July of last year and we have
20 released the draft report on 23 July this year. Public
21 submissions close next Friday, and we have held public
22 workshops over the last four weeks in Sydney, Dubbo, Wagga
23 and Coffs Harbour, and we are going to have an additional
24 workshop in the Hunter next Wednesday. We propose that
25 the final report will be sent to the Minister in mid-November
26 this year.
27
28 I will now hand you back to Mr Cox to facilitate
29 comments and questions on this part of the workshop.
30
31 MR COX: Thank you, Michael, very much. We now have the
32 chance for comments and questions from members of the
33 audience. If you want to make a comment or question, can
34 you please indicate that. Because the session is being
35 transcribed, it is important that you speak into the
36 microphone. We only have one microphone, so you will have
37 to bear with us while we get it to you, but if you do want
38 to make comment or ask a question, now is the chance to do
39 so.
40
41 MR SHERLEY: Dave Sherley, General Manager, Bathurst
42 Council. I have just a couple of comments to begin with.
43 First, I would just make a comment that you spoke about
44 anyone who got greater than the rate pegging limit not
45 being known to anyone. Firstly, to be able to do that, you
46 have to get your community to agree so that you can put
47 your application in to the Minister to get the variation,

1 so I don't necessarily agree with that. Also, the DLG each
2 year lists who gets a rate pegging increase beyond the
3 limit, so it is publicly out there; and I think the LGSA
4 put it on its website.

5
6 The second point I would just like to make a comment
7 on is that you were also talking about there not being
8 community interaction. Each year we put our management
9 plans on display and the community have the opportunity to
10 have input into that. Dare I suggest, without being
11 political, that that is a lot more than the state
12 government allows, so why are you saying that we don't have
13 community consultation and then, at the same time, are
14 trying to impose higher levels than your political masters
15 are putting in place. Certainly we do have public
16 consultation; we get feedback, and we have to take that
17 into account before we adopt our rates and charges.

18
19 I was a bit interested to hear you say that the
20 minority of councils are not sustainable, yet every other
21 report that comes out says that it is at least 50 per cent,
22 so there seems to be a difference between the figures that
23 IPART is getting as against those in the Percy Allan
24 report, and also I think there was a federal report done by
25 one of the large accounting firms that came out a couple of
26 years ago.

27
28 In getting into the idea of a local government index,
29 I think it is a great idea, and so I am not trying to be
30 totally negative here. I think it is important that there
31 is something that factually says what is the indicative
32 cost. However, I would have seen IPART's role as
33 calculating that figure. I do have a problem with a
34 productivity factor being built in. That, to me, is
35 subjective and is outside, really, the idea that, "This is
36 what the costs are for local government, so that's what
37 should be there." Surely, the issue of productivity is a
38 matter for each individual council that is democratically
39 elected as to how they provide their services.

40
41 You have said that in terms of cost shifting you don't
42 take into account items that are voluntarily taken on by
43 councils, yet, on the other side, you are seeking to impose
44 a voluntary decision by yourselves as to productivity. So
45 it just seems to me that you are having a bit of a go each
46 way, to say that we are going to have this productivity
47 index, yet you are not taking into account in the index

1 what might be cost-shifted. I don't have a problem with
2 that, that's something to be discussed, I just think that
3 it should be a local government cost index in its own
4 right.

5
6 As to the imposition of community surveys on
7 everyone - and I noticed that that is part of, probably, a
8 discussion a bit later on on option B --

9
10 MR COX: Yes.

11
12 MR SHERLEY: -- the only comment I would make, again, is
13 that councils are democratically elected bodies. Our
14 council undertakes regular community surveys, but I would
15 have thought that that's a matter for individual councils
16 to decide, whether they wish to do that or not. It is not
17 something to be imposed on them, because, remembering, in
18 terms of their management plan, they are required to put
19 that on exhibition. They are required to take community
20 input into that to decide how they set their fees and
21 charges for the future years.

22
23 Definition of asset management: I agree, very
24 important. But can I suggest that the agreement on those
25 definitions should particularly include the federal
26 government, given that they are a major funder - and
27 hopefully there will be access for other levels of
28 government for more money from them in the future. I think
29 it is important that they have a major role in that. We
30 want consistency in definition in New South Wales, but we
31 want it across the whole country, because, otherwise, how
32 do you compare how we are performing?

33
34 Catch-up rates. A mechanism already exists for that.
35 Each year, when we go to do our notional returns on rates,
36 if we haven't collected the full amount that we were
37 eligible for in the previous year, we can put a catch-up
38 in. So that facility already exists.

39
40 The independent cost index. I can understand your
41 time line, getting the data together for 2010/2011, but a
42 lot of your report ties in to, I suppose, enforcing
43 integrated planning. Integrated planning has not been
44 adopted by the government, I understand, by legislation, so
45 I don't see that IPART has a role to impose a context on us
46 that the government itself has not imposed through
47 legislation.

1
2 The other thing that I would say is if that's the path
3 you go down, 2010/11, yet the indicative figures are that
4 councils have up to 2011/12, I think it is, to decide if
5 they want to go into the last group for integrated
6 planning. So if you introduce the stuff as early as you
7 are talking about, those who may be in the last wave -
8 because I have to say we probably will look for the last
9 wave, because the government has a habit of completely
10 changing everything and so we want to see what the last
11 version of it is before we go and spend tens of thousands
12 or hundreds of thousands on it - you will be putting in
13 place something that precludes councils because the time
14 line is different to what the state government's time line
15 is on the matter. Thank you.

16
17 MR COX: Perhaps, I will try to answer some of those. We
18 will see how far we get. I will just see if I can remember
19 them all. I think the first one was that people already
20 knew who got the increase, so to speak, so there was no
21 great mystery about who got a special variation and who
22 didn't. I don't think we disagree about that. I think the
23 point that we were trying to make - and it is one that is
24 being made to us in submissions - is that people don't know
25 why some councils got special variations and others didn't.
26 So there was a need, it was argued to us in submissions,
27 for greater clarity about the criteria the Minister would
28 use in deciding whether one council should get a special
29 variation and one shouldn't.

30
31 MR SHERLEY: So what you are saying is that the problem is
32 at the state government level, not at the council level?

33
34 MR COX: That may well be a fair comment, yes. I wouldn't
35 disagree with that.

36
37 The second one was community interaction. I don't
38 think we deny that councils interact with their
39 communities. What we are trying to do is to find some way
40 in which community voice, if you like, into rate decisions
41 can be enhanced. Certainly we would accept that councils
42 consult with their communities; the question is can that
43 better fit into the process for deciding how rates are
44 varied.

45
46 The third point is about sustainability. I might ask
47 Michael to comment on this, because he has done some work

1 with some individual councils. I think we said that the
2 majority of councils are sustainable, based mainly on ABS
3 data and also our own investigations of individual councils
4 around the state. We looked specifically at 11 councils
5 around the state. Whilst, obviously, there are some
6 problems in some, in our view, the majority, while they do
7 have problems, are able to sustain their finances. But it
8 was based particularly on case studies of 11 councils, and
9 I would ask Michael to comment further on that in just a
10 moment.

11
12 Your next point was the local government index, where
13 you suggested that there shouldn't be a productivity
14 factor. I agree that to some extent a productivity factor
15 is a judgmental element in the index. However, I point out
16 that we do calculate indexes for a number of other
17 industries, including the taxi industry and the bus
18 industry, and on those we have introduced a productivity
19 factor. I guess our own office is required to make
20 productivity improvements by the state government, so some
21 expectation for local government, I think, is not
22 unreasonable in principle. I agree that there could be a
23 lot of debate about what it should be.

24
25 There was a point on cost shifting. You would have to
26 remind me what exactly you were concerned about there.

27
28 MR SHERLEY: I think that was tied in with where I was
29 saying that you have defined cost shifting to remove
30 things, except for very black-and-white things, saying
31 that's subjective, and my comment was: so why do you the
32 have the subjectivity in, then, of the productivity index?

33
34 I can understand your comment - I suppose I am adding
35 a little bit now: you are saying that you have
36 productivity indexes built in to your office, but you
37 answer to the state government. Local government is a
38 level of government with elected representatives, and my
39 comment is: isn't it the elected representatives' role to
40 decide the services that they provide, what is in there?
41 That is where, particularly with productivity, I was coming
42 from.

43
44 MR COX: I think what we are saying is we believe there is
45 some scope for local government to make productivity
46 improvements, and in terms of what is, if you like, the
47 cost of producing a given bundle of services, it is

1 reasonable to take that into account. It may well be that
2 your community wants additional services, for which
3 additional amounts should be paid.

4
5 MR SHERLEY: Sorry, but if you are going to take those
6 productivity beliefs in, and yet you are saying that the
7 cost shifting is the straight cost if a service has been
8 delegated down to us - and I use as an example that in 2006
9 we had a local government election that cost us \$100,000;
10 the following year, in 2007, we had another election,
11 because we were one of the amalgamated councils, and that
12 election one year later cost us \$200,000. But I take it
13 from what you are saying about the shifting of costs that
14 that \$100,000, or 100 per cent increase in 12 months, would
15 not be taken into account because you don't define that as
16 part of your cost shifting; yet you are seeking to impose a
17 productivity increase on us.

18
19 MR COX: Remember, though, what we are saying is that the
20 cost index is about providing a given level of services.
21 I think we would recognise that if local government is
22 required by state government decisions to produce
23 additional services, that's something that should be taken
24 account of, but probably in the rate peg amount rather than
25 a productivity increase.

26
27 So we have allowed the Minister to determine something
28 different from what is produced by the cost index, and we
29 would see, if there were additional services required of
30 local government, that that would then be taken account of
31 in the rate pegging decision.

32
33 MR SHERLEY: I suppose the example that I used isn't an
34 additional service; it was a 100 per cent increase of a
35 cost of a service that was already provided. So I suppose
36 that's where my concern is: if there is a productivity
37 factor which is going to be subjective, and we are going to
38 be cut back from that; but there appears to be no allowance
39 for where we have to pay more, where the state government
40 hasn't provided a better service but they have imposed
41 greater costs on us.

42
43 MR COX: So what is the nature of this cost?

44
45 MR SHERLEY: For the running of our local government
46 elections. We are a very good example, because the
47 argument that the Electoral Authority is using is that for

1 the costs that most paid in 2004 in comparison to 2008,
2 they were different, you can't compare them. But because
3 we were an amalgamated council, the two years were exactly
4 the same service level. In one year we paid I think
5 \$92,000; in the next year we paid \$200,000.

6
7 MR COX: I think I could make the same reply: that is
8 something that the Minister could take into account in
9 deciding on a rate peg amount that might differ from the
10 result of our cost index.

11
12 I have a few more points to deal with. Community
13 surveys. You say that they are imposed on councils under
14 our recommendations. I don't see that. What we have done
15 is really given councils a number of options. One option
16 is simply to continue with the rate pegging amount, so,
17 really, continue with annual rate pegging; the second is an
18 improved special variations process; and the third one is
19 through the democratic accountability route that might
20 involve community surveys. So I don't think we're imposing
21 community surveys on councils; we're giving councils an
22 additional option, and we will discuss that later on.

23
24 You say we are enforcing integrated planning. Well,
25 I guess it is probably true that what we are doing is tied
26 up with better planning processes, but it seems to me that
27 that is on its way anyway, and we will take on board your
28 points about timing.

29
30 I don't know if Michael Seery wants to add anything
31 about particularly our investigations of individual
32 councils.

33
34 MR SEERY: Just on that timing of the integrated planning,
35 regardless of how the integrated planning and reporting
36 framework is introduced or whether it is introduced, the
37 local government cost index could be used into the future,
38 and that could commence from next year. It doesn't rely at
39 all, in any way, shape or form, on the integrated planning
40 framework. What it would do is just provide a more
41 transparent mechanism for calculating the index or the rate
42 peg amount.

43
44 As to the options, the detail of option A and the
45 detail of option B do rely on the integrated planning
46 framework, but they aren't proposed to commence until
47 around the time of the next election, by which time,

1 I would hope, the government's integrated planning
2 framework would be well and truly in place.
3
4 In relation to financial sustainability of councils,
5 yes, the Allan report and Review Today, FiscalStar,
6 whatever group it is, have a larger number of councils as
7 being not sustainable. I guess there is a degree of
8 sustainability mentioned in those reports, and our analysis
9 was looking more at those that we would consider to be
10 chronically unsustainable rather than those that might be
11 just somewhere between sustainable and unsustainable; and
12 also our analysis relates to the extent of backlog that is
13 used and calculated in the analysis.
14
15 MR SIMPSON: My name is Maurice Simpson, I'm the Mayor of
16 Weddin Shire Council, Grenfell, New South Wales. Following
17 up on what David Sherley just mentioned about costing and
18 cost shifting, one of the problems that we have in a small
19 rural council is the fact that our cost shifting didn't
20 occur because we wanted it to; it is because governments of
21 all levels have abandoned the bush. I refer to health:
22 there would be very few small rural councils who aren't
23 caught in the problem now of providing housing and
24 accommodation and support for doctors.
25
26 Nicola Roxon told me that we shouldn't get involved in
27 this only last month, and I said, "Well, that's terrific."
28 You know, who does it? That's one of the problems.
29
30 Now, we're one of those small rural councils where our
31 rate increase, even if it doubled, it wouldn't make a hell
32 of a lot of difference to our overall picture, because most
33 of our income comes from grants, as you said. We survive,
34 and we have survived for over 100 years, but it is not
35 getting any easier, and I put it down particularly to not
36 so much our cost decisions, but cost decisions forced upon
37 us by abandonment by government.
38
39 MR COX: Thank you for that. I think all I can really say
40 in response to that is that our report is really about the
41 rates determination process, because that's the thing that
42 essentially is controlled by the New South Wales
43 Government. I think I would recognise that for many
44 councils, such as yours, rates will be only a small
45 component of the overall revenue, and what can be done
46 through rates may indeed be limited as part of the total
47 set of problems that you face. I think that is probably

1 just the nature of things.
2
3 I wouldn't want to be interpreted as saying that we
4 didn't think that councils such as yours should provide
5 services such as health services. I think ultimately that
6 is a matter for the local community. I think our concern
7 was to increase the accountability of councils to the
8 wishes of the local community, rather than diminish it.
9 I think we would recognise that. However, I think it is
10 also perhaps unfortunately the case that the solutions to
11 your problems lie otherwise than through the rates
12 determination process.
13
14 MR SIMPSON: I couldn't agree more.
15
16 MR LOBB: Trevor Lobb, General Manager, Weddin Shire.
17 I would like to reinforce David's comments about the
18 community consultation. Listening to the address, I was
19 trying to remember which avenue the state government goes
20 through for lifting taxation charges. Imposing those
21 compulsory sorts of consultation and surveys and whatever
22 it may be on local government tends to attract a minority
23 response, and a negative response, and what we find, in
24 experience, is that the great majority of people usually
25 accept a proposition and go quietly, but if a prerequisite
26 to rate increases is that sort of consultation, a lot of
27 councils will have trouble if they have that particular
28 minority working against them.
29
30 The other thing is the comment you made about a single
31 cost index for the whole state. Without knowing the
32 details of how that's going to work, I would raise the
33 concern that a council like ours, as a rural council, would
34 have a lot of different priorities to metropolitan
35 councils. How you can develop a single cost index which
36 would reflect in a proper manner all those conflicting
37 priorities from the different types of councils around the
38 state is going to be a little bit of a test for you,
39 I suspect, so good luck with that.
40
41 MR COX: Thank you for that. On your first point, what
42 does the state government do, certainly for the charges
43 that we set - which are water charges, electricity charges,
44 gas charges, public transport charges - there is a
45 consultative process rather like this one, whereby people
46 are given the opportunity to make submissions. We would
47 typically hold public hearings on the basis of those

1 submissions, there would be a draft report and there will
2 be further public hearings on the basis of the draft
3 report. So that is a very consultative and exhaustive
4 process indeed. So that is certainly true of the state
5 government charges that we set.

6
7 Your second point was on community surveys, as to the
8 suggestion that what we put up was perhaps a bit too
9 difficult, I think, as the criteria for getting into
10 option B. That's a comment that we have had from several
11 of these public hearings, and we will talk a bit about that
12 in the second session. A lot of people have suggested to
13 us that option B should be a bit easier to get into, and
14 perhaps we can discuss that later on.

15
16 Your third point was the single cost index. The first
17 thing to say, I think, is that I don't think we're
18 absolutely wedded to that. There is certainly the scope
19 for different cost indexes if there are great variations in
20 costs. The thing to bear in mind is, I suppose, that a
21 very important cost for all councils is labour, and that is
22 going to be much the same in terms of increases throughout
23 the state from year to year, so the variations may be less
24 than you think they are.

25
26 Another issue, if you have a number of separate cost
27 indexes, is how to work out which councils should be in
28 which group. There could well be a fair amount of argument
29 and disputation about that. But, having said all of that,
30 I think that is something that we are prepared to consider
31 further when we look at differences in councils' costs in
32 some detail and have a better idea of what they are and
33 whether there are in fact enormous differences in the cost
34 structure between councils.

35
36 We did look at 11 case-study councils throughout the
37 state, and my understanding of that is that we didn't find
38 significant differences in cost structure, but I will
39 invite Michael Seery to say a bit more about that.

40
41 MR SEERY: That's correct. Not all of the 11 councils
42 were able to provide the detailed information in the format
43 we asked for, but I think about eight councils did, and of
44 those there was very little difference in the index or the
45 weights across those councils. As Jim has said, the
46 significant component is labour, and it has a significant
47 impact on that. But when we do collect data from all

1 councils we will be able to verify whether or not a single
2 index is appropriate or whether an alternative number of
3 indexes might be appropriate.

4
5 MR SHERLEY: Jim, may I make a quick comment? We were
6 one of the 11 councils that were surveyed. I would just say
7 that in our experience with wages, our wage bill is pretty
8 much the same dollar figure as our general rates each year.
9 Our rate increases every year - we take the rate pegging
10 limit, so say it is 3.5 per cent; and our wages are going
11 up between 4.5 per cent and 5 per cent every year. So
12 every year we are 1 to 1.5 per cent behind on our rates.

13
14 Now, I don't know what other councils are like, but
15 that's certainly our experience. I suppose talking for
16 Trevor's situation - and he probably has a greater pressure
17 than us, but we have it to a certain degree - we have to go
18 for those slightly higher increases, because we are just
19 not getting the staff, particularly in the professional
20 bands.

21
22 Just recently we advertised a position: \$100,000
23 cash, car at \$80 a week, we provide gym membership for the
24 whole family, subsidised uniforms - a huge pile of stuff.
25 We got three applicants. And Bathurst isn't a bad place to
26 live in: the schools are good; the hospital, depending on
27 who you are talking to, is good - I won't say any more
28 there - we are a university town and all of that. But it
29 is a problem, and it may be more that it is for some of us
30 out this way, that we are having difficulty attracting
31 staff, and so there is that disparity. Certainly our wages
32 are about the same as our general rate, and every year, we
33 are 1, 1.5 per cent behind.

34
35 MR SEERY: I think that purely points out, Dave, the need
36 for a local government cost index that does reflect your
37 costs, and if labour is the substantial part of your costs,
38 that would be reflected in the index.

39
40 MR SONNEMAN: Wayne Sonneman, Manager, Financial
41 Accounting Services, Dubbo City Council. I would open with
42 the comment that in the need for a new framework, it was
43 mentioned in the initial report that a lot of submissions
44 argued for rate pegging to end. I think we all
45 realistically agree that that won't happen. However, the
46 rest of the outline generally I would agree with.
47 Certainly, I know we will discuss option B in the next

1 session, but that has very much a focus on long-term asset
2 management, which is certainly a critical issue for
3 regional councils - I would suggest probably all
4 councils - throughout New South Wales. And it would
5 certainly promote more rigorous asset management, and
6 promote better information on which to manage councils'
7 assets.

8
9 One of the comments made was in relation to rates and
10 transfer to user charges, or greater use of user charges.
11 There are limitations on that for most councils, given that
12 most of the services that council provide are as a result
13 of market failure - in other words, they are not a
14 commercial enterprise. There is a lot of social obligation
15 involved with some of the charges. There comes a limit to
16 how much can be passed on through those user charges. So
17 it is a significant constraint. There is some scope there,
18 but I would suggest it is quite limited.

19
20 In regards to the rate pegging limit, I certainly
21 I agree that there needs to be more transparency and it
22 certainly does need to be independent. Thank you.

23
24 MR COX: Most of that, I think, was comment. I don't
25 think there is anything I particularly need to respond to
26 there.

27
28 MS PHELAN: Clare Phelan, Manager, Finance, Mid-Western
29 Regional Council. Again, mine are probably comments and
30 probably things that you have already heard.

31
32 I would like to see in the final report that IPART
33 produce some greater clarification around those other
34 government charges and levies that councils get hit with,
35 as David touched on earlier. It is not just election
36 costs. We have things like Rural Fire Service levies, New
37 South Wales Fire Brigade levies, street lighting,
38 Department of Planning levies, that can go up well beyond
39 what our costs or discretionary costs would go up and well
40 beyond what our revenue streams can go up, and there is
41 often no sort of accompanying explanation or matching
42 revenue source provided. So I think the report needs to
43 provide some clarification as to how those matters will be
44 handled.

45
46 From a very practical perspective, the local
47 government cost index announcement - whatever method it is

1 calculated by - in March is still really not much better
2 than where we're at at the moment in terms of being able to
3 factor that in to your management planning process.
4 I would like to see a recommendation where that rate
5 pegging figure is released much earlier in the management
6 planning process, rather than pretty well a month before
7 you have to go out to exhibition.

8
9 MR SEERY: I agree about the other levies, that they need
10 to be better clarified in the draft report, and we have
11 discussed that internally, about doing that, and that was
12 part of my comment in the presentation in relation to that.

13
14 In relation to the timing of the release of the index,
15 we currently have a recommendation in the report that an
16 interim index be published following the September quarter
17 each year, which would give you a guide, but it won't be
18 exactly the right number.

19
20 Remember, this is a retrospective index, so it is
21 looking at, basically, how things have changed in the
22 previous 12-month period. When we suggested we would do
23 it based on the December quarter data, we were trying to get
24 as close as we could to the current year without being too
25 far away. If we come back to the September quarter, then
26 it will be a little bit further away from the current year.
27 It is possible, but we would need to have the councils
28 being favourable to that particular timing. So we can do
29 it, it is just a matter of whether or not councils are
30 happy with that sort of separation between when we
31 calculate the index and the appropriate year when it will
32 apply.

33
34 MR DIVE: Allan Dive, Wellington Council, General Manager.
35 I would like to make a couple of comments. I think
36 Dave Sherley summed up the feeling of probably many people
37 in local government, so I would like to acknowledge his
38 contribution and support that.

39
40 I think there needs to be certainly the transparency
41 in the process for determination of any amount that we're
42 allowed to increase, certainly any of the decision-making
43 processes or thoughts that are behind a special variation
44 need to be disclosed. I think a number of councils have
45 had increases rejected and really they don't know why.
46 They have done all the proper consultation, they have had
47 the asset management plans completed and they have had the

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1 figures to back up why they want to do it; they would
2 seemingly have community support, although they may have
3 had a minority object against the rate increase, and the
4 government, it would appear, may have taken notice of that
5 minority.
6

7 I would like to put forward that the catch-up with
8 rate pegging needs to be available over a longer period of
9 time. The current legislation allows us basically a
10 further year to catch up, but when you have the situation
11 of prolonged droughts, and suchlike, which the rural
12 communities have to deal with, giving relief over one year
13 or a couple of years is probably not adequate. We need to
14 have that ability to give relief over a longer period of
15 time and then get our house back in order to be able to
16 catch up on that lost income.
17

18 Community consultation. I feel that in principle that's
19 fine, but in practice, it is very difficult. We undertake
20 a number of community consultation meetings when
21 we do our management plan. If we are doing a revision of
22 our LEP, for example, we do consultation. Often, you get
23 people there that have very strong feelings and are
24 certainly quite vocal. They are often people who have the
25 ability to get up and speak in public and put their views
26 forward, but most often, these are minority groups and they
27 don't represent the silent majority, so I think that is
28 really a difficult thing to do. If you are in a community
29 where you have a large portion of Aboriginal people or
30 people who are in a lower socioeconomic group, they are
31 people who don't readily voice their opinions, and it is
32 very hard to get their feelings and input. Certainly going
33 to the relevant community agencies is one source of trying
34 to get information from that area, but, again, I don't
35 think it is particularly successful.
36

37 I think the process of community consultation and the
38 emphasis now being put on it, in essence, erodes the
39 democratic process. I think it is a key thing that people
40 have stood for election as a councillor, that they are
41 there to represent the community - and I can only speak for
42 small rural councils; that's where the bulk of my
43 experience has been - they do know the issues and are
44 generally people who have the ability to bring forward the
45 community views on many, many issues.
46

47 I don't agree with the single cost index. I think it

1 is chalk and cheese between rural, urban and metropolitan
2 councils, just in the variation in the different functions
3 they undertake, say depending on how much roadworks they
4 have, or are able to do on their own roads, or, for that
5 matter, undertaking roads for agencies such as RTA; and,
6 I guess, another aspect, what sort of business units they
7 have themselves undertaken in a commercial operation. The
8 whole mix of activities can vary dramatically from council
9 to council, but I certainly think there is quite a big
10 difference between what happens with metropolitan councils,
11 in particular, and with small rural councils, particularly
12 western councils.
13

14 You made a comment about councils using less debt than
15 they may do. I guess this is something we always struggle
16 with, as to what is a reasonable level of debt. We work on
17 basically, in our council, a 10 per cent debt servicing
18 ratio. We could go a lot higher. I think you have to bear
19 in mind that we have come from a period where there were
20 federally imposed global borrowing limits which restricted
21 loan borrowings substantially, and now we're going back to
22 a phase where those restrictions have been relaxed quite
23 dramatically, compared to what they were.
24

25 I worked in local government, I guess, at the time
26 before the global borrowing restrictions were put in place,
27 and certainly everything under the sun got financed out of
28 loans, and it was a disproportionate situation. But then
29 the global borrowing limits, in my view, took it to the
30 other extreme. So I think it is something the industry
31 itself really needs more guidance on. As I said, it is
32 something where we generally struggle to know what is a
33 reasonable limit, as such.
34

35 I would just make the point, too, that smaller
36 councils are often expected to undertake the same
37 administrative processes as the larger councils, and
38 I think this is what is happening with the integrated
39 planning and reporting that will come through.
40

41 We don't have the depth of administrative support that
42 larger councils may have. I guess people could argue that
43 this is a reason for amalgamation. I don't believe that
44 reinforces that, but it is an issue for us to have those
45 processes, because, in essence, we have to do the same
46 processes with the same sort of resources, I guess, as what
47 the bigger councils do, but we have a lesser base of staff

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1 to be able to do that, and, more often, a lack of finance
2 available to be able to undertake that. Thank you.
3
4 MR COX: Thank you very much for your thoughtful
5 comments. I will just pick up on a couple of them, perhaps.
6 The idea of catch-up and rate pegging from year to year is
7 something that we have tried to facilitate explicitly through, if
8 you like, a medium-term approach to revenue planning, so
9 that's something that we do agree with and are trying to
10 encourage.

11
12 I was also interested in your comments on debt.
13 Obviously you can have too much debt, but it did seem to us
14 that there might be scope for councils to take on more
15 debt, and that is something that councils should perhaps
16 consider.

17
18 I think your comments on smaller councils are
19 interesting. Thank you.
20

21 MR SHINTON: Peter Shinton, Warrumbungle Shire Council
22 Mayor. I would like to bring up the debt situation as
23 well. Every time we have built major infrastructure in the
24 town, we have gone into debt to do it. We have even had
25 community consultation, and at one stage we had a whole
26 section of the community who wanted to change shires
27 because they were so against building a new shire hall in
28 the area. That's one of the greatest assets that we have.
29 But I found that in the next election year, the mayor and
30 half the councillors were tipped out.

31
32 A similar thing happened with the library, when we
33 decided to move our library into a bigger building and
34 attract more funding, of course, exactly the same thing
35 happened. Next election, mayor and deputy and half the
36 councillors were tipped out. So it is something that I try
37 to avoid.

38
39 On a more flippant note, I have just noticed that you
40 now have four years of catch-up, and it is going to fit in
41 with the election cycle. I would like to see that pushed
42 out a bit so that it gives us the chance to not put the
43 rates up in the year that we're going to election. Thanks
44 very much.

45
46 MR COX: Are there any more comments before we move on
47 to the second part of the presentation? Very well.

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1
2 I am going to talk about, in particular, the two
3 options that we have put forward for detailed
4 consideration. If we look at the first slide, improving
5 the current framework, we thought that the current
6 framework for determining local government rates and
7 revenue in particular could be improved, particularly by
8 movement from year-to-year to taking an explicitly
9 multi-year approach to revenue raising, so that, in a
10 sense, I think what we are suggesting is that the current
11 annual process should be retained, but, in addition to
12 that, there should be explicitly a multi-year approach,
13 which we will discuss in a bit more detail later on.
14
15 We thought, and this reflects some of the comments
16 made this morning, that there should be a more independent,
17 rigorous and transparent approach to rate setting, so that
18 people would be more clearly able to know why particular
19 decisions were made.
20
21 We thought that the revenue framework should be linked
22 to council's strategic planning processes, so that revenue,
23 capital and operating expenditure plans for a number of
24 years into the future would be linked, which would, if you
25 like, bring an integrated, multi-year approach to revenue
26 and expenditure. We thought there should be an explicit
27 and independently calculated price index, as we discussed a
28 bit earlier, and that there should be a productivity
29 adjustment factor to encourage efficiency gains.
30
31 The recommended framework builds on the current work
32 that the Department of Local Government is doing in its
33 integrated planning and reporting framework to improve
34 community accountability and community engagement. The
35 idea is to provide greater transparency and certainty so
36 that people know why decisions that are made have been
37 made, and, as one of the options, that there be an option
38 that involves greater accountability for councils to set
39 their own rates, whilst maintaining rate pegging, for some
40 of the reasons that we discussed earlier.

41
42 Moving on to the next slide, option A. I think the
43 thing about option A is that it is an improved version, we
44 think, of the existing system. So it improves on the
45 current rate pegging arrangements. In addition to that,
46 there is emphasis on the medium-term revenue path for
47 councils so that they would know what their revenue is

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1 going to be over a number of years into the future, and
2 better links between rate setting and strategic planning.
3
4 We thought that option A would be the default option
5 for all councils, so that those councils which, for various
6 reasons, didn't qualify for option B or ceased to qualify
7 for option B, would be in option A.
8
9 The way it would work is that we would include a cost
10 index. As we were trying to emphasise earlier on, the idea
11 of the cost index is that it would reflect increases in
12 providing a particular level of local government services.
13 So it would measure the increases in costs from year to
14 year of providing those services, and we would publish the
15 cost index.
16
17 However, the decision on the annual rate increase
18 would be one for the Minister, and that would be made each
19 year. Obviously the Minister would have to take into
20 account the results of IPART's cost index calculations, but
21 they could vary the rate increase to take account of
22 additional factors, some of which we have discussed this
23 morning, and we think that the Minister should give reasons
24 as to why he or she has determined a particular annual rate
25 increase. So that's one half of option A.
26
27 The second half of option A is to have, if you like, a
28 special-variation-type process by preparing a four-year
29 revenue plan. This would show the work that the council
30 intends to do over the next four-year period and how that
31 is to be funded. The council would then apply to the
32 Minister for this special variation to be accepted, and
33 then the Minister would either approve or disapprove, but
34 he or she would have to give reasons as to why they have or
35 have not approved the special variation.
36
37 In a bit more detail, then, how option A would work.
38 Each year we would calculate the cost index. We would make
39 the adjustment for productivity that we have been
40 discussing, and would then advise the Minister for Local
41 Government of the result. The Minister would then
42 determine the increase in rates by taking account of the
43 local government cost index, but they could consider other
44 things as well, so that's the first part of option A.
45
46 The second half would mean that councils may apply to
47 the Minister for a rate path over four years, which might

1 well exceed the rate peg, providing that they develop an
2 integrated planning and reporting framework and implement
3 that, and there will be a clear statement of the factors
4 that the Minister would take into account in deciding
5 whether or not to approve applications for a medium-term
6 rate path and also, I think it is fair to say, Michael, the
7 Minister would have to give reasons for their decision in
8 terms of those factors.
9
10 We have given some possible assessment criteria, what
11 they might be. The first one looks pretty long, but
12 I think it is really about service needs, unmet demands of
13 the community and evidence of community support for
14 increased services. So that's the first one; a bundle of
15 things together.
16
17 The second is cost pressures faced by the council.
18 The third is issues of amenity, safety and health, and
19 I think financial sustainability is probably in its own
20 category there.
21
22 Then there is demonstrated adequate use of other
23 sources of funds, such as user charges. I would take the
24 point that was made earlier this morning, that there are
25 limits as to what can be done with user charges. Then
26 there is the impact on taxpayers. So those are the sorts
27 of things the Minister will take into account in deciding
28 whether or not to agree to a special variation.
29
30 We now come to option B, which is the autonomy route.
31 The way to think about this is that councils would need to
32 demonstrate to the Minister that they have met a number of
33 criteria. If they can do that, they will then be exempted
34 from rate pegging for up to four years. So councils would,
35 under this option, have to develop lists of major projects
36 in consultation with community, so, if you like, things the
37 council expects to provide over the next four years; there
38 would be a revenue path for four years to finance these
39 services; and then councils would seek community support,
40 and there are a number of mechanisms by which they would
41 do that. But the fundamental thing is they would need to
42 demonstrate to the Minister that there was a degree of
43 community endorsement for their proposals.
44
45 Under option B, if the application for exemption is
46 not approved or if the community doesn't agree with the
47 council's proposal, then they would revert back to

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1 option A.
2
3 So what things do councils have to do to become
4 eligible for option B? Firstly, they would need to have a
5 track record of sound financial management in terms of good
6 operating results, liquidity ratio, debt levels,
7 responsible funding policy, good asset management and a
8 comprehensive asset management plan. So there would be a
9 record of sound financial management. They would also need
10 to have developed a medium-term approach to expenditure,
11 revenue and service delivery, and they would need to
12 persuade the Minister for that. Then, if that was so, they
13 would then be able to go to the community and obtain a
14 mandate for their approach.

15
16 We suggest, moving on to the next slide, that there
17 are two ways in which a council could engage with its
18 community. They would need to do this on the basis of a
19 plan, if you like, of their works and revenue plan, which
20 would be available to the community. The first of those is
21 the community survey option. The council would then send
22 those survey documents to the community, and I guess the
23 whole community would have the chance to have their say
24 about that.

25
26 We thought that there should be a reasonable degree of
27 community engagement with the survey in order to
28 demonstrate, if you like, that there was a mandate for
29 these plans. What we thought was that there should be a
30 reasonable response to the survey, and I think we suggested
31 25 to 30 per cent might be a reasonable response rate, and
32 then there would also need to be a reasonable level of
33 support for the council's proposals, and we suggested 50 or
34 60 per cent of respondents agreeing with the council's
35 proposals.

36
37 Now, obviously, there is a bit of a range there, and
38 you might think that the larger the response rate, perhaps
39 the lower the degree of community support among those
40 responding, but the idea is simply to demonstrate that the
41 community does in fact support the proposals. So that was
42 one route.

43
44 The second route was through the voting option. The
45 way that this would work is that the revenue plan would be
46 available to be debated at an election, so there would be,
47 if you like, an associated plan of works and revenue

1 funding to be available to the community for debate during
2 an election campaign. The election would then take place.
3 The incoming council would have a say about that, and they
4 would need to support the plan, and then, if they did
5 support the plan, that would be submitted to the Minister
6 and then the Minister would determine whether the council
7 does in fact have a mandate. So that was the idea of
8 option B.

9
10 The next slide relates to roles and who does what.
11 The Minister would determine annual rate increases under
12 option A. They would also approve, if you like, the
13 multi-year special variation process under option A. They
14 would certify that the council has sufficiently sound
15 financial management to go to the community under option B,
16 and then they would also determine whether the council has
17 achieved a mandate for their plan under option B. So those
18 are the things the Minister would do.

19
20 The Department would ensure that, if you like, the
21 revenue framework is integrated with the integrated
22 planning and reporting framework. They would monitor rate
23 increases and they would also establish minimum
24 performance requirements and monitor compliance with
25 performance and accountability criteria, so they would have, if
26 you like, a monitoring role.

27
28 Finally, as you will recall, one of the terms of
29 reference was inquiring whether there was a role for IPART,
30 and we think the most appropriate role for us is in
31 developing an index, calculating it, reviewing indexes and
32 weightings and the productivity adjustment, and we would
33 publish the index as an input to the Minister's
34 deliberations.

35
36 As Michael has said, we have had a number of these
37 forums before, and it might just be worth saying that the
38 sorts of issues that come up at other hearings are,
39 firstly, the suggestion that perhaps option B is a bit
40 hard, too hard, to get into, and that the criteria,
41 particularly some of the financial criteria, for getting
42 into option B should be relaxed a bit. That has come
43 through in some of our hearings.

44
45 Also another fairly frequent suggestion is that as an
46 alternative to surveying the whole community, perhaps a
47 sample survey approach might be considered under option B.

1
2 Those are things that we will be actively considering,
3 but for your consideration, we have a number of questions
4 on this slide, and these are: what are the relative
5 strengths and weaknesses of options A and B; are the
6 proposed changes under option A a significant improvement
7 over the existing arrangements; are the eligibility
8 criteria for entering into option B stringent enough, or
9 perhaps too stringent, and would they work in practice; and
10 how would the arrangements for engaging with the
11 community, which really is the survey route and voting route
12 under option B, work in practice? So those are the things we
13 would like to see your comments or views on, but we would
14 be happy to also answer any questions that we can, so it is
15 over to you now. Who would like to make a comment or ask a
16 question?

17
18 MR SHERLEY: I suppose in answering a couple of those
19 points, I have a couple of points that I would bring in.
20

21 Option B, I think, is unworkable if you are going to
22 expect a response rate of 25 to 30 per cent and then with
23 50 to 60 per cent support. I only say that, not being
24 negative against it, but we just do not get those sorts of
25 response rates. It is like when you go and do a mail-out
26 survey, if you talk to any of the bodies who undertake
27 surveys, if you get a response rate of 10 per cent you are
28 going well, and that's in your total.
29

30 We undertake a lot of studies, and a lot of the
31 councils around this area use groups like the Western
32 Research Institute out of Charles Sturt University. We
33 have a population of 37,000 in our council area, and for a
34 95 per cent level of significance in satisfaction with the
35 results, we normally survey between 400 and 600 persons,
36 and that comes out of 95 per cent satisfaction. So I would
37 only just mention that. Otherwise, option B will be
38 unworkable with the levels that you are requiring. You
39 will just not get the responses.
40

41 A good example: when we had our amalgamation with
42 Evans Shire and we conducted community meetings to discuss
43 whether the amalgamation was a good thing or a bad thing,
44 when the meetings were held by Evans Shire - and they were
45 very anti it - they used to get 60 to 90 people turn up out
46 of a population of 5,000. When Bathurst held its meetings
47 on the amalgamation, if you took away the staff and the

1 councillors, we got 10 people out of 30,000 people. So
2 that gives you a bit of an idea of where it is going.
3

4 Going on to option A, I think we definitely need a
5 proper index, and that is the strength of it. You have had
6 my comment about productivity. I don't believe that's an
7 issue for IPART; that's an issue for the elected body.
8

9 And can I say that whilst what you are putting in is,
10 you believe, a transparent approach, I believe the one that
11 is in place, from a council level - and I have said this -
12 is transparent. The thing that is not transparent is that
13 the Minister, who knocks back any of these things, doesn't
14 explain. The current process will still maintain that
15 position, because the Minister can knock it back, and,
16 besides, I think there is something in there that the
17 Minister is the one who decides which council or councils
18 are eligible for consultation. Well, I don't see why the
19 Minister decides who is eligible for consultation when we
20 have elected bodies.
21

22 But in looking at that local government cost index, I
23 think in some of the things you talked about you said the
24 weightings were going to be looked at every five years.
25 Once it gets up and running, I think that is fairly
26 reasonable, but in the shorter term, it may be that it is
27 necessary to get more regular looks at that local
28 government cost index in the first period of time, if it
29 comes on board. It is not only the weightings, but what is
30 included in there, because I think we have to see, really,
31 whether we are allowing for community service and cultural
32 services and the like in the indexes, and whether there
33 need to be factors taken in there. Because when you get
34 into the rural areas, the only way we are getting people to
35 move into our cities and into the villages and towns is by
36 creating a lifestyle, and, again, the government doesn't
37 provide those, so we are now starting to provide cultural
38 facilities, art galleries, libraries, community spaces.
39 What impact they have on the index I don't know, but that's
40 where I think the index needs to be looked at maybe a bit
41 more regularly - you know, do it the first time and then
42 look at that.
43

44 I was interested in your point about eligibility, that
45 you have to have a demonstrated adequate use of other
46 sources of funds. Again, I come back to my comment:
47 I would have thought that that is a decision, as to the

1 usage of funds, for the elected body. They are elected.
2 They adopt their policies as to what level, say, of debt
3 they want. Some councils have a debt ratio - and I don't
4 understand - of zero, but that's their choice. We are
5 probably a little bit like Allan; we run somewhere between
6 5 and 15, depending on what projects we are going through.
7 But again, to me, that's still a decision of the elected
8 body.
9
10 In option B, you have there that you go for four years
11 and if you don't get it up then you can only go the
12 one-year option again. I don't know whether, particularly
13 in the first year, if you don't get up in the first year of
14 option B because there is some issue, maybe the system
15 should then allow you to have a go so that you can get two
16 or three years' worth. You are looking blank at me there,
17 but the option says that if you go ahead in that first
18 year, you are free of rate pegging for the four years.
19 I suppose what I'm saying is if in the first year you
20 aren't given the permission by the Minister, then you are
21 only allowed to go back to the one-year options; at that
22 time, maybe there needs to be a bit of flexibility that you
23 can go to two or three years, if you can get up the next
24 time, because you are really saying you only have one bite
25 at the cherry and then you are out of the door.
26
27 I have a little concern about the revenue plan being a
28 matter for debate and election, and this is more from a
29 general manager point of view, because I think that is
30 going to push the staff into the election process,
31 particularly if the council is deciding that it wants to go
32 with that.
33
34 Then, on the other side that comes in, if the existing
35 council is putting a revenue plan to go to an election, and
36 there happens to be a coordinated group who isn't part of
37 the council, who wants to go to the election on a revenue
38 plan, who puts that revenue plan together for them and who
39 funds it? Now, at a federal level, if the opposition wants
40 to do something, there is a certain amount of funding to
41 the opposition parties to get funds from the government to
42 put together their tax plan for an election. There is no
43 such funding framework in local government, and I just
44 think that that is going to create a bit of a problem.
45 I understand where you are coming from, because it gives an
46 opportunity that you can go straight after the election and
47 say, "Well, we already have the mandate to do this", but

1 you do get areas where there will be a group who was anti
2 that, so who is going to put the revenue plan together for
3 them? But, also, because the staff, under the general
4 manager, are accountable to the council that is elected,
5 you are putting the staff into a political situation, where
6 it is accepted at federal and state that those parties get
7 funding to do that.
8
9 The only other thing is the role of the DLG in
10 option B. I think the biggest concern I have there is
11 whether they have the funding to be able to do it, and the
12 staffing numbers. The government is going to have to bite
13 the bullet there. For the last decade, they have slashed
14 numbers in the Department of Local Government. We have
15 the Promoting Better Practice review that I think is supposed
16 to go over a period of five years and all of us are to be
17 reviewed. I think it has been going for nearly five years
18 and 50 per cent of the councils have been done. So I have
19 concerns. I think it is good to have the department's
20 involvement in option B; I'm not against that. My concern
21 is that they aren't funded to do it.
22
23 And, similarly, I have one question: in terms of your
24 role, who is paying for you to carry out your role? And
25 I know this is where I am bitter and twisted - are we going
26 to get a surcharge from the state government to pay for
27 you? I will put that one in for you, Maurice.
28
29 MR SIMPSON: Thanks, you saved me from asking it.
30
31 MR COX: There are a few things there that are
32 interesting. Obviously, we appreciate your comments on the
33 survey and what will work and what won't work. I think
34 that is helpful to us.
35
36 We have discussed the transparency issues I think,
37 previously.
38
39 The other interesting one was the idea of weightings
40 and how often they should be revised. I would think that
41 if we get this job - and who knows - we would want to take
42 a very consultative approach towards developing the index,
43 particularly in the early stages, so I think we would
44 certainly want to do that and make sure that we produce
45 something that people thought was representative of their
46 circumstances.
47

1 In terms of the Department of Local Government,
2 I think I would share your concern about their resourcing.
3
4 In terms of who would pay for IPART, well, I can
5 assure you our expenses would be very modest indeed, and
6 I would expect the state government would meet them.
7
8 MR LOBB: Trevor Lobb, General Manager, Weddin. Again,
9 following the Bathurst lead. I should begin with an
10 apology, because normally to make a comment like this
11 I would rather put up an alternative, and I don't have one,
12 but option B seems to me to present a lot of difficulties
13 in getting the right response.
14
15 If a sitting council prepares a plan for, say, a
16 10 per cent rate and goes to an election on that, and
17 expects that the community is going to rationally sit and
18 weigh that up, I would think they would be very, very
19 reluctant to run that risk. It leaves the door open for
20 splinter groups, or whoever you like, to come forward with
21 a policy of standing for the local government election on
22 the basis of no rate increase, and it is always an
23 attractive option for people. Putting it with the
24 election, I think, is going to cause the elected people
25 great difficulty, because I would think they will see
26 themselves as putting their head in a noose. The idea may
27 be fine, but I think it might need to be removed from the
28 election to get a proper community response. Thank you.
29
30 MR COX: Are there any more comments?
31
32 MR DIVE: Allan Dive again. The thing that I think with
33 option B is you are looking at a council that is already
34 fairly financially stable, is talking about having a track
35 record of having positive operating results over the
36 economic cycle, having a reasonable liquidity ratio, having
37 sustainable debt. What are you going to do with a council
38 which is really in trouble, that perhaps isn't sustainable,
39 doesn't have positive operating results? I am sort of
40 referring to the context of excluding the capital revenues,
41 I think you are really cutting out one group which may
42 desperately need to have consideration, and it could well
43 be under option B.
44
45 MR COX: Thank you for that. I have probably three
46 responses to that. Firstly, those sorts of councils are
47 the ones we thought could be dealt with under option A. In

1 other words, if they needed to move up towards a more
2 sustainable level financially, this could be the result of
3 the sorts of plans that would be developed under option A
4 and they would then seek the approval of the Minister to
5 increase their rates towards a more sustainable level.
6 That's the first point.
7
8 Secondly, I think as someone said earlier, we
9 appreciate that there are some councils, small rural
10 councils, for whom rates are probably not the solution to
11 their problems.
12
13 Thirdly, under the option B route, one of the things
14 that was suggested to us, I think in Sydney, was that the
15 criteria for getting into option B might be too stringent,
16 and that you might consider a council eligible for option B
17 that has made some gains towards sustainability and has
18 some plans to get there further. So they have a bit of a
19 track record to point to but, nonetheless, they do need to
20 work harder to get up to a sustainable level, and that is
21 something we will certainly look at before we finalise our
22 report.
23
24 MR D'HOTMAN: Francois D'Hotman, Bogan Shire Council.
25 I want to make a few comments about the local government
26 price index. South Australia has it, and it works pretty
27 well, but I would like to see a different index for rural
28 councils. I know labour is your biggest cost, and it
29 probably always will be, but contractors and consultants
30 are also quite a big cost, especially for rural councils:
31 you have the distance they have to travel, you have the
32 freight, you have other costs that impact quite a bit on
33 the price index.
34
35 The other comment is to do with rate pegging. You
36 made a comment earlier that rates were a lot less in other
37 states but that user charges were a lot higher. Basically,
38 the user charges are always going to be a lot higher when
39 rates are pegged. So the comment that I want to make there
40 is that basically your poor pensioner always has to pay
41 more out of the household income than your richer
42 ratepayer, and I think there is a bit of imbalance there,
43 where the poorer pay more for a service from their
44 disposable income.
45
46 I would like to make a comment about the four-year
47 plan. No council is going to go in to election year having

1 higher rates. They probably just won't get in. But for a
2 four-year plan, I would like to agree with David and say
3 I wouldn't mind having it a lot less, maybe, than four
4 years, if the four-year plan doesn't get up.
5
6 I just feel that a council that is more resourced,
7 better resourced, a wealthier council, will probably have a
8 better plan than a poorer council and, as a fact, the
9 chances of a rural council getting a four-year no rate
10 pegging is probably quite minimal on that side.
11
12 I would like to agree with the rates survey. We've
13 had quite a lot of annual business plans in South
14 Australia, and we were quite lucky if we got 10 people
15 coming up. People basically only complain when it affects
16 them personally, and that's your biggest problem that you
17 have in council. Thank you.
18
19 MR COX: Perhaps I will just respond to some of those
20 points. Firstly, on the relationship of the rate pegging
21 and user charges, I think I would agree with you. You can
22 have too much by way of user charges, and I suspect that we
23 are getting to a period where it is going to be hard to get
24 further increases in the amount of revenue provided by user
25 charges, and, indeed, that is one of the reasons why it is
26 important to look at the future of rate pegging, because
27 I think the push towards user charges may be something that
28 is going to be hard to sustain.
29
30 On the separate rural index, since that has come up a
31 few times, perhaps it is worth saying that what the index
32 does is to measure really not so much the different costs
33 of different types of councils, but how the costs of
34 providing services change through time. So it may be true
35 that a small rural council with a highly dispersed
36 population has to spend more to provide the same level of
37 services, but that is part of the base. Really, what the
38 index is doing is measuring changes through time in the
39 cost of providing services, and I think it remains to be
40 demonstrated to us that it does in fact vary between urban
41 and rural councils. That is not to say that we have made
42 up our minds on that, but we need to have that demonstrated
43 to us and it hasn't yet been.
44
45 In terms of would a small council bother going through
46 option B, I can imagine that there are some councils that
47 would be perfectly happy to stay under the present system

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1 or, indeed, to go through the option A route and not
2 proceed to option B, and I think one of the strengths of
3 our framework is that those choices are in fact still
4 available to councils, so if they decide that it is just
5 not worth the trouble of going down the option B route,
6 there is always still the option of annual rate pegging or,
7 indeed, the multi-year price path approved by Minister
8 under option A, so those are the choices that councils do
9 have.
10
11 MS MILLER: Annabel Miller. Bathurst Regional Council.
12 I guess I will start with your financial assessment for
13 option B. Again, you have referred to the asset management
14 plan, which is not legislated by the New South Wales
15 Government as a mandatory report for councils - although,
16 of course, we are being targeted with our funding to have
17 one.
18
19 As for the integrated planning, it is not legislated,
20 and to base your reports on that is going to be flawed, if
21 that legislation doesn't pass through. Integrated planning
22 has been on the drawing board for three years and we still
23 can't get that past the post, and it has been a government
24 initiative.
25
26 Your options A and B both mention medium-term funding
27 and the process that you can go through for that.
28 Integrated planning is a 10-year program with
29 community-strategic planning, and there has been no
30 definition of how we can tap in to long-term funding past
31 four years through the revenue framework to achieve those
32 objectives.
33
34 Your rate pegging under option A and option B still
35 retains its political influence, and your wording in the
36 report is "the Minister should explain" the reasons why he
37 or she has chosen to vary above or below what your
38 recommendation is. I would like to say that,
39 independently, "should explain", should be "will explain".
40 Without that, we still don't have our transparency that we
41 so desperately are looking for.
42
43 I have a question for you. The December review of the
44 local government cost indicator - will that include the
45 productivity factor? If it doesn't, it is going to be
46 useless in the forecasting process that we go through with
47 our budgets.

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1
2 MR COX: Sorry, this is the advance index?
3
4 MS MILLER: This is the local government cost indicator
5 with the productivity factor that Bathurst so obviously
6 disputes.
7
8 Also I have noticed your box 17.5, your basket,
9 doesn't include a reference to welfare services or cultural
10 services. You may not agree that providing these services
11 is cost shifting, but can I use the reference of our
12 libraries, which we all must provide, and which are not
13 being funded to any levels of significance; and one other
14 anomaly that I have noticed in that basket is that for most
15 of the expenditure items the CPI is based on the New South
16 Wales indicators, where other expenses are "CPI all groups
17 Sydney", and that may cover some of the issues that Bogan
18 has raised in regards to freight and other costs for rural
19 councils.
20
21 MR COX: Thank you for your detailed reading of our
22 report. I might ask Michael to address a couple of those
23 points, being the long-term planning issue and also the
24 particular table you referred to.
25
26 I would have thought it is incumbent on us, if we
27 are producing an advance index, to provide an advance
28 productivity factor as well, so I think we would undertake
29 to do that. And I am interested in your comments on
30 integrated planning. But I will ask Michael to address the
31 detailed issues.
32
33 MR SEERY: Just to come to the basket, the list of things
34 that are in that table represent what we thought would be
35 in the index based on our analysis - and it is largely
36 driven by what is in place in South Australia. So if there
37 are things that aren't in that basket, then you need to
38 tell us what should be in there. That's, I guess, my key
39 answer. It doesn't directly, for example, include the
40 statutory costs that were referred to earlier - the fire
41 services levy, the SES levy that you have now, and other
42 particular statutory charges that perhaps could be included
43 because there is no other way of picking them up in your
44 costs.
45
46 In relation to the long term, it is important that you
47 take the long-term view for planning. You may wish to have

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1 a long-term, 10-year revenue plan. However, our view is
2 that the process under option B is driven by the electoral
3 cycle. Whether it is done through the election process or
4 whether it is done through a survey of your ratepayers or
5 community, or whether it is done by a sample survey, each
6 of those really need to be done in line with the electoral
7 cycle, because it is very hard for one council to bind the
8 next council. So, therefore, each time a new council is
9 elected, that council has to basically be on board with
10 that program. So you can't say, "Well, we're going to go
11 for 10 years and for the next 10 years this is what our
12 rate increases are going to be", because at the next
13 election, as may happen, the council gets turned over, so
14 that your nine councillors, all of them bar one, or all of
15 them, don't get reelected. You can't bind that council to
16 whatever you are going to do in the future. So that
17 council would need to be able to adopt that particular
18 program.
19

20 MS MILLER: Sorry, Michael, is that not the whole process
21 for integrated planning? We have to prepare 10-year
22 strategic plans. It is not to block them in and bind them,
23 but, surely, it is to give us a process.
24

25 If I take water and sewer, for example, we have to
26 prepare 20-year strategic plans. Surely we have to have a
27 mechanism to fund those plans that is either included as
28 parts of this or we take integrated planning out of this
29 process and we use a different model to go forward. We
30 can't have a bite here and a bite there if we are not going
31 to be consistent in our approach.
32

33 MR SEERY: I take your point, and we will look at that
34 again before the final report.
35

36 MR COX: Perhaps just one further comment, because the
37 length of price paths is something that we think about
38 ourselves a fair bit when we are doing things like setting
39 electricity prices or water prices, and there is always a
40 balance between two things. The first is the desirability
41 to have certainty of funding for a number of years into the
42 future. The second is the need to be flexible enough to
43 take into account changing circumstances, and when
44 circumstances do change, maybe the revenue approach should
45 change to reflect that.
46

47 Certainly we have found, in our own experience, that

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1 you might be happy to have, say a four-year price
2 determination for a particular agency, but then there is
3 some change in their environment or there is some, perhaps,
4 political factor that suggests a certain investment that
5 wasn't thought of before was desirable, so you find
6 yourself pushed towards a shorter price determination.
7

8 In some very volatile circumstances, such as we're
9 looking at now with electricity prices, we are actually
10 moving back, it seems to me, from multi-year determinations
11 of retail electricity prices, more towards year-by-year
12 price setting, simply to take account of a highly volatile
13 wholesale electricity market.
14

15 So it is not to say we have a particular answer here,
16 but I do think there is a balance between uncertainty of
17 environment and certainly the very real requirements that
18 costs need to be thought through.
19

20 MR SIMPSON: Maurice Simpson, from Grenfell, again. There
21 is a point raised by Annabel and by the gentleman from
22 Bogan Shire back there which I do believe has very serious
23 repercussions for the bush and the small councils, and that
24 is the increased cost over and above the normal rate of
25 inflation. I'm the chairman of the senior citizens unit in
26 Grenfell and we have just called for tenders for a
27 large-scale concrete demolition. Because of the stimulus
28 packages, we just can't get builders. I would estimate
29 that the quotes are 40 to 50 per cent above what I would
30 have got two years ago.
31

32 MR COX: I suspect you are right about that, and I suspect
33 you are not the only constructor of infrastructure, if you
34 like, that is facing that difficulty. We have found, for
35 example, recently, that the construction costs of building,
36 say, a new power station have increased enormously, for the
37 sort of factors that you have mentioned, so I do think it
38 is a problem. It is one that would be capable of being
39 dealt with through the price index, provided that the cost
40 of capital inputs was adequately reflected in that index.
41 So I think it is one that can be addressed through an index
42 mechanism.
43

44 MR SIMPSON: Thank you.
45

46 MR FRANZE: Anton Franze, Blayney Shire Council. One
47 matter I would like to raise regarding the matter raised by

1 Bogan, or related to that, and Weddin: I hope your cost
2 factor index will account for those smaller, remote
3 councils - even though I acknowledge that Blayney isn't in
4 that category - because the smaller and more remote the
5 council - and I know your report does have a smaller
6 percentage or acknowledges councils in those areas having a
7 smaller rates-coverage ratio, but I hope that it takes into
8 account that they obviously have to then rely upon grants
9 keeping up with the cost index or the rising costs.
10

11 The other factor, too, which I think was touched on
12 with Bogan, was with regards to the more remote the council
13 is, the harder it is to attract and retain staff, which
14 obviously then leads to having to attract consultants,
15 which obviously places an additional cost burden upon those
16 smaller councils.
17

18 MR COX: Thank you.
19

20 MR SHERLEY: I don't know whether it will answer all of
21 the issue, but particularly smaller councils are raising
22 that disability factor. I don't think this would
23 necessarily take into account the wage side, but there is
24 the Local Government Grants Commission's disability factor
25 that they apply for all the grants. It might be worth your
26 while having a bit of a look at that to see if there is any
27 role that that may play that you may be interested in
28 looking at. Because they produce a document on calculating
29 disability factors. That may be of assistance. I don't
30 think it really assists with respect to wages, but
31 certainly with other things, it does.
32

33 MR COX: It is worth remembering that what we're trying to
34 do is to produce an index that will be useful for rate
35 change purposes. So it probably doesn't identify every
36 disability that particular councils might face. What it
37 should do is indicate how much an increase is needed year
38 by year to enable a particular council to continue to
39 provide a particular level of services. That's the
40 intention of it.
41

42 MS FARLEY: Jacqueline Farley, Liverpool Plains Shire
43 Council. I just have a query if this is going to be
44 implemented possibly as early as next year. What happens
45 to councils like ours who have taken the special variation
46 over and above the rate pegging? Do the provisions that we
47 have been allowed then have to be reversed, or do we have

1 to adopt this process?
2
3 MR SEERY: Let's say the local government cost index were
4 to come into play next year, then your existing special
5 variations would continue as they are, because what you
6 have sought is a particular percentage increase. They
7 would continue to operate.
8
9 If we go to the medium term, if the government chooses
10 to introduce option B or option A, any existing special
11 variations would continue until they expire, and then the
12 council would come under the new arrangements.
13
14 MR LOBB: Trevor Lobb, Weddin Shire. Last go. I've been
15 listening to all of the comments that have been made and
16 listening to all of the things that you are saying, and
17 there is a great mass of paper under my feet which I will
18 have to go back and read, and I am thinking, "What on earth
19 are we doing?" The resources that are going to go into
20 this from local government and from your organisation and
21 the state government to create something which could be
22 done away with completely by option C, and do away with
23 rate pegging itself, which puts the onus back on local
24 government to have community consultation at the ballot
25 box, which is one of your options - what is the difference,
26 really, when you make that comparison with your option B?
27
28 What is the difference to doing away with it and not
29 having rate pegging at all and letting the ballot box make
30 the decision as to what the council should do? The more
31 I hear, the more I think this is just a massive overlay of
32 expensive resources which is probably not going to do
33 anyone any good but keep yourselves in work, perhaps.
34
35 MR COX: In terms of your last comment, I think IPART's
36 role in this will be a fairly small one. It will not be a
37 major part of our work, but it is something that we are
38 happy to do.
39
40 You suggested an option of deregulation, if you like -
41 total deregulation. Obviously, that is a possibility.
42 I would remind you that New South Wales has had rate
43 pegging now I think since 1977. It has been a
44 long-established part of the policy framework in New South
45 Wales.
46
47 MR SIMPSON: True, but aren't you supposed to bring the

1 best option forward?
2
3 MR COX: I think there is a balance to be made here
4 between what certain councils might think is desirable and
5 also what might realistically be achievable, given the long
6 history of rate pegging in New South Wales. I think given
7 also, perhaps, a degree of mistrust - perhaps not so much
8 in rural areas, I think perhaps more in city areas - that
9 councils can in fact be trusted, and that's something you
10 get very strongly from state government, and you get it
11 strongly from both sides of state government.
12
13 So it is a matter of, if you like, given this long
14 history of rate pegging, what might be a reasonable way of
15 working your way out of it that might actually be capable
16 of being implemented in New South Wales, New South Wales
17 being what it is.
18
19 I think some councils have said to us that it is just
20 not realistic to expect total removal of rate pegging, so
21 we would probably be wasting everyone's time by
22 recommending that. What we need is a process of evolution
23 that enables councils to address their problems and move
24 towards greater autonomy, and that is what we have tried to
25 suggest.
26
27 That's probably all I need to say. I think that
28 option C is one that might appeal to the hearts of many
29 people, but I'm not sure that it is the most useful thing
30 that we can do to recommend it.
31
32 In terms of additional costs, one option for councils
33 is to continue with something that is pretty like the
34 existing system. So, in those circumstances, if you are
35 happy to remain within the confines of option A, I can't
36 see that the costs would be at all significant. As I say,
37 I think the costs of IPART doing its own work will be
38 pretty small.
39
40 Obviously, if you want to move down to testing
41 community opinion, that would involve additional cost,
42 I think we would recognise that, but ultimately, it is a
43 choice for councils whether they want to go down that route
44 or not.
45
46 MR SIMPSON: You indicated that you thought that most
47 councils, or some councils, wouldn't support the abolition

1 of rate pegging, which goes contrary to my 10 or 13 years
2 of going to the Local Government Shires Association meeting
3 where, once a year, they call for total abolition of it,
4 and it goes through, 80 or 90 per cent.

5

6 MR COX: I think, Michael, I am right in saying that we
7 have received submissions from councils that do not support
8 the continuation of rate pegging. They may be in the
9 minority, but they exist.

10

11 MR SIMPSON: That probably would be Leo Kelly at
12 Blacktown and a couple of others.

13

14 MR COX: Are there any more comments? If that's the case,
15 I think we should bring proceedings to a close.

16

17 Firstly, thank you very much for your participation
18 and your comments and the lively debate that we have had,
19 which covers a whole range of issues. Thank you for that.

20

21 Our next stage is to take all of the comments and
22 produce our final report. The report is in the form of
23 recommendations to the New South Wales Government.
24 What they decide to do with it I think we will have to wait
25 and see, but I certainly think that whatever we do finally
26 produce will have been greatly assisted by your assistance
27 in making comments this morning.

28

29 It is perhaps also worth saying that, as I think
30 Michael said earlier, the closing date for submissions is
31 18 September, so you still have the chance to get in a
32 submission, and we hope that many of you will do that.
33 Once again, thank you very much for your participation.

34

35 AT 12.24 THE WORKSHOP WAS ADJOURNED
ACCORDINGLY

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