

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF REVENUE FRAMEWORK FOR LOCAL GOVERNMENT

Tribunal Member: Mr James Cox

Secretariat Members: Mr Michael Seery and Ms Helen Green

Held at Council Chambers,
Lake Macquarie City Council
126-138 Main Road, Speers Point, NSW

On Wednesday, 16 September 2009 at 10.07am .16/9/09 1
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1 MR COX: Good morning, ladies and gentlemen. We 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. In particular, I would like to thank you for
6 your invitation to come to the Hunter region to discuss our
7 draft report. We would particularly like to express our
8 thanks to Lake Macquarie Council for making this venue
9 available to us.

10
11 First of all, I would like to introduce ourselves.
12 My name is Jim Cox and I am acting Chairman of IPART and
13 also chief executive officer. With me today are members of
14 IPART's Secretariat, Mr Michael Seery, on my left, who is
15 the project manager for the local government review and
16 also Ms Helen Green.

17
18 The former Premier requested that IPART should
19 undertake a review of the revenue framework for local
20 government. The Premier requested the review should
21 consider three terms of reference. The workshop today will
22 address the first two of these terms of reference because
23 the third term of reference is of particular interest only
24 to a small number of Sydney councils.

25
26 The two terms of reference we will focus on today are
27 an appropriate intergovernmental regulatory framework for
28 setting rates and charges that facilitates the effective and
29 efficient provision of local government services
30 and secondly, a role for IPART in setting rates and charges
31 in future years.

32
33 This workshop is part of the Tribunal's public
34 consultation process for this review and is one of a number
35 of workshops that have been held in Sydney and in a number
36 of regional centres over the past four weeks and in fact
37 this is the last public meeting that we will have on this
38 review.

39
40 During the past year we released an issues paper and
41 we have received 65 submissions from local government,
42 interest groups and members of the public in response to
43 it. At the end of last year we held workshops in Sydney
44 and in a number of regional centres to discuss the key
45 issues that were raised in the submissions and in addition,
46 we have undertaken 11 case studies of councils throughout
47 New South Wales, including I believe, Michael, the

1 Lake Macquarie Council was one of the case study councils,
2 to understand the detail of the issues that these councils
3 face and how they are addressing them.

4
5 We released our draft report to the Minister for Local
6 Government and it was released to the public on 23 July and
7 on that day we also released an issues paper which detailed
8 our comparative analysis of revenue and expenditure between
9 councils in New South Wales and other states.

10
11 As you will be aware, our report is a draft report.
12 The purpose of releasing it to the public is so that we can
13 test the propositions put forward in the report.
14 I acknowledge that some of the propositions that we have
15 put forward in the report would represent substantial
16 change to the arrangements for determining local government
17 rates in New South Wales. I very much want to emphasise
18 that we would like to hear from you today regarding both
19 the desirability and the practicality of some of these
20 proposals, particularly the more substantial proposals for
21 change.

22
23 IPART has made 45 recommendations in its draft report
24 in relation to its proposed framework and its
25 implementation and in relation to rate pegging arrangements
26 we have put forward two options for further consideration.
27 Before finalising the report we would like to listen to
28 councils and the community on the proposals that are set
29 out in the report and consider submissions from interested
30 parties.

31
32 Public submissions are due by Friday of this week -
33 which is 18 September - and all the submissions we receive
34 will be carefully considered by IPART in reaching its
35 conclusions on the framework for regulating local
36 government revenue.

37
38 I would like to take this opportunity to thank you for
39 attending today and also for the support that we have
40 received from local government so far in putting together
41 this review and we particularly want to thank the
42 11 councils that have allowed us to look at the details of
43 their operations and their financing. This is all
44 indicative of what we consider to be a very important part
45 of our investigation and I should say that we regard the
46 public hearing today as a very important part of our work
47 and your involvement is extremely important to us.

1
2 Following consideration of the matters that
3 stakeholders raised in submissions and at these workshops,
4 IPART will make its final recommendations to the Minister
5 for Local Government via a final report in November 2009.
6
7 Before proceeding further, I would like to say a few
8 words about how this workshop will be conducted. The
9 agenda for this workshop indicates there will be two broad
10 discussion topics. The first is a general overview of the
11 outcomes of IPART's draft report while the second session
12 will outline how the two options IPART has put forward in
13 its proposed revenue framework would work in practice.
14
15 These sessions are intended to provide IPART
16 information to assist us in concluding our deliberations.
17 At the outset of each session we will make a brief
18 presentation to introduce each item and then invite members
19 of the audience to express their views on the issues
20 raised.
21
22 IPART will make available a transcript of today's
23 proceedings. This will be available from the IPART website
24 within the next week. For the benefit of the transcriber,
25 I would ask that you use the microphone and speak clearly
26 and introduce yourself and the organisations that you are
27 representing. When you come to make your comments, we
28 will ask you to go over to the lectern and make your
29 comments there. I will now ask Michael Seery to introduce
30 the first workshop session.
31
32 MR SEERY: Thank you, Mr Chair. In this first session
33 I will talk about IPART's draft report in general and will
34 highlight some of the key findings and recommendations that
35 we have made in the report. However, I will leave the
36 discussion about the revenue framework - in particular,
37 Options A and B - to the second session.
38
39 As the Chairman mentioned, the two terms of reference
40 are for IPART to recommend a framework for setting rates
41 and charges and also a recommended role for IPART. After
42 considering the 65 submissions and conducting six workshops
43 at the end of last year - and those workshops were held in
44 Sydney and in regional centres, including one in Maitland -
45 IPART released its draft report on 23 July of this year.
46 The report includes a number of findings and
47 45 recommendations. I will outline some of these findings

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1 and recommendations shortly.
2
3 Most of these findings relate to the future
4 arrangements for rate pegging with a key element being the
5 local government cost index which I will discuss briefly as
6 part of this discussion. Mr Cox will discuss the two
7 approaches for consideration and that's Option A which can
8 operate by itself, or Options A and B which would operate
9 in tandem with each other.
10
11 Just going through the key findings, in relation to
12 rate pegging, we found that rate pegging has achieved the
13 Government's original objective of restraining rate
14 increases. This is evidenced by the fact that rates have
15 increased by less than those in other states but by more
16 than the rate peg and this is mainly due to extensive
17 special variations.
18
19 Fees and charges and other revenues have increased by
20 more than in other states and in general what we have found
21 is that whilst councils have been restricted in their
22 ability to increase rates, they have been able to increase
23 their total revenue through the use of fees and charges.
24 As a result, the increases in total revenue have been
25 around that of other states. All this information is
26 provided in our information paper which will be made
27 available at the time of the draft report.
28
29 We did an analysis of the rate increases per property
30 assessment in the draft report and we found that over the
31 most recent nine years whilst half the councils have
32 increased rates by less than the rate pegged amount and
33 most of those were around about the rate peg amount, some
34 of those were considerably below the rate peg amount. Half
35 have increased rates by more than the rate peg amount and
36 in some cases those increases over that nine-year period
37 were considerably greater than the rate peg amount.
38
39 In relation to the rate pegging processes, we found
40 that the process for determining the amount by which rates
41 may increase under the rate peg is not transparent. This
42 doesn't mean that the applications made necessarily by
43 councils are not transparent. As you are aware, all
44 councils make available their management reports - they
45 make them available to the public - and have community
46 input on those management reports. However, our findings
47 more relate to the fact that the Minister announces a rate

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1 peg each year but doesn't take into account on what basis
2 that particular rate peg amount has been calculated.

3
4 Also, we have found that the allowed increases don't
5 necessarily reflect the cost for councils and in relation
6 to the processes that the Minister has adopted for
7 assessing special variations, these are not transparent if
8 you look at the processes involved and compare them say to
9 the processes that IPART undertakes when it does a
10 determination of prices for one of its reviews.

11
12 IPART currently puts all submissions on our website.
13 We have a timetable for our processes and we put out a
14 document at the end of the process which indicates the
15 reasons for our decisions in relation to the special
16 variations. Except at the end of the day when either the
17 Minister makes a media release or at the end of the year
18 when you read the Department of Local Government's annual
19 report, you wouldn't know which councils have applied for
20 or which councils have been granted a special variation,
21 nor would you be able to understand the basis on which the
22 decisions have been made.

23
24 In that respect, the changes or the decisions that
25 were made this year were slightly more transparent in that
26 the media release made by the Minister listed all the
27 councils that had applied for a special variation whether
28 or not they received it.

29
30 As you are aware, in relation to accountability,
31 councils are accountable to both the New South Wales
32 Government and their local community. At the same time
33 there has been limited engagement of the community. Whilst
34 there may be some consultation, we found or believe that
35 the engagement of the community has been much less in
36 determining community preferences about revenue and
37 expenditure options and this is a key feature of our
38 proposed approach for moving forward.

39
40 In the last week we have spent some time travelling around
41 rural New South Wales, we went to Wagga and Dubbo,
42 and this particular issue raised considerable comment at
43 our workshops and that relates to the diversity of
44 councils. We observed that there was considerable
45 diversity amongst councils within New South Wales of which
46 the revenue framework must take account. For example,
47 there are significant differences in councils' ability to

1 raise revenue. One particular council mentioned that their
2 total rate revenue was \$1 million a year and when you
3 applied 4 per cent to \$1 million you got something like
4 \$40,000, which wasn't a significant amount of revenue.
5 Therefore, these rural councils tend to be more highly
6 reliant on grants from the government, particularly through
7 Commonwealth grants.

8
9 In relation to financial sustainability, we found that
10 most but not all councils are financially sustainable under
11 our definition of financial sustainability and rate pegging
12 has not adversely affected their financial sustainability.
13 This has been possible because New South Wales councils
14 have met their expenditure and revenue needs through
15 greater use of user charging than has been the experience
16 elsewhere and many councils have applied for and received
17 special variations.

18
19 A minority of councils are not financially
20 sustainable. However, for a number of these councils the
21 removal of rate pegging in itself may not remove their
22 structural problems. Particularly when you look at the
23 rural councils, they would need substantial increases in
24 rates, far more than the community could be expected to
25 pay, to be able to provide for the revenue requirements
26 that they have.

27
28 Another one of our findings was that the financial
29 position of local councils in New South Wales is no worse
30 than that in other states and although the other states
31 don't have rate pegging, they also seem to have issues with
32 financial sustainability. The evidence suggests that a
33 number of councils may be using revenues for capital
34 purposes to fund recurrent expenditure and that issue is
35 reflected in one of the recommendations we have made.

36
37 In relation to capital expenditure, the reporting and
38 accounting of capital expenditure and maintenance is not
39 consistent across councils and although we've found that
40 there are backlogs in councils, the evidence on the extent
41 of those backlogs is not conclusive. The particular issue
42 there relates to how the estimates of backlogs have been
43 determined, whether or not there has been any rigorous
44 analysis of the extent of those backlogs. However,
45 backlogs do not appear to be any worse than they are in
46 other states.

47

1 That was an interesting finding for us that although
2 other states once again have not been limited in their
3 expenditure or revenue requirements, they still have an
4 issue with backlogs.
5
6 Councils overall in New South Wales are net lenders
7 and certainly a large number of councils have heavy
8 investments, although some of these have been less than
9 their ability or their potential to earn in the last few
10 years. Councils use less debt for capital than they could
11 and they have a capacity for greater use of debt to fund
12 infrastructure works.
13
14 In relation to cost shifting, IPART has a more narrow
15 definition of cost shifting. Our definition is that cost
16 shifting occurs where a higher level of government requires
17 local government to undertake a function without adequate
18 funding: for example, when the state transfers a function
19 to it that the state previously undertook, with no funding.
20 It does not include changes that would apply more broadly
21 than to local government. For example, if there are new
22 reporting requirements or environmental standards that the
23 rest of the community has to adopt then that is not
24 included in our definition of cost shifting.
25
26 Our definition distinguishes between those cases where
27 local government is required to undertake a function and
28 those where local government decides to take on a function.
29 Our view is consistent with autonomy in decision making and
30 accountability to local government.
31
32 The draft report is not explicit on how increased
33 costs from these sources could be funded. Whether or not
34 costs are recognised as a cost shift, they need to be
35 included in the framework. That is a matter of ultimately
36 who pays, the higher level of government or the ratepayers.
37 However, the framework should be flexible enough to address
38 these concerns. Some of the options are that they could be
39 included not necessarily in the cost index, but as part of
40 the rate peg amount.
41
42 If we take this as an example, suppose the Government
43 imposed an additional cost - such as the cost for rural
44 fire services or state emergency services - that the
45 majority of councils would be required to incur then this
46 could be incorporated in the framework by an adjustment to
47 the rate peg amount which would be an increase above the

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1 indexed value that is recommended by IPART. Alternatively,
2 if it's individually council based, it could be picked up
3 through special variations.
4

5 What are some of our recommendations? IPART
6 recognises that in relation to financial reporting there
7 has been some progress, but more is needed. We believe
8 that there should be compulsory reporting of net operating
9 result, excluding capital revenues, but maintenance costs
10 relating to public works need to be reported and annual
11 expenditure on renewable capital works needs to be
12 reported.
13

14 There needs to be improved asset management based on
15 consistent definitions. Councils should undertake regular
16 surveys - and in the draft report we suggested every two
17 years - of community satisfaction with their provision of
18 services and that these need to be published in the annual
19 report.
20

21 There should be an ongoing catch-up mechanism for
22 recovering foregone rate increases so that under that
23 mechanism if a council chooses for two or three years to
24 not put up rates, that in the third or fourth year the
25 council may choose to adopt the rate peg amount for the
26 previous two or three years. In the last year instead of
27 being an increase of say 3 per cent, if it was a four-year
28 period it could be a 12 per cent increase. Regulation of
29 rate revenue should continue, not of total revenue.
30

31 Could I make just a brief comment about the local
32 government cost index. The local government cost index
33 would be based on the annual movement in costs of councils
34 and a productivity factor. It is not a measure of the
35 costs that councils incur each other, but rather the change
36 in those costs each year. Our draft report recommends a
37 statewide index, although we have had some feedback over
38 the last four weeks suggesting that there should be a
39 larger number of indexes available across smaller groups of
40 councils or perhaps even individual council based indices.
41

42 In the draft report we are currently of the view that
43 a statewide index is preferable and we believe that at the
44 end of the day the variation across councils is small.
45 However, if the local government cost index is to be
46 introduced, part of our processes would be to collect data
47 from all councils across New South Wales on their costs and

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1 we would be able to determine at that time the extent to
2 which there is significant variation across groups of
3 councils.
4
5 Certainly, the information we gained from the
6 examination of most of the councils involved in the case
7 studies suggested that there wasn't a significant
8 difference. This is probably largely due to the fact that
9 the significant cost is labour and in some respects it
10 swamps the rest of the numbers in the basket. It would
11 consist of a basket of costs. There are a number of costs
12 indicated in the draft report. We would be looking to
13 refine those costs and would appreciate any comments about
14 the costs that are included in the draft report.
15
16 The index would be a retrospective index. It is not a
17 forward looking index, but rather it would be looking at
18 the movements in the previous 12 months and it would be
19 based on indicators that are published by the Australian
20 Bureau of Statistics. The weights would be established
21 every five years, although there would be a shorter period
22 between the initial calculation of the weights and the
23 re-weightings. Those weights would be based on the survey
24 of council costs.
25
26 In the draft report the recommendation was that the
27 cost index would be announced at the end of February or
28 early March, but in the draft report we have a
29 recommendation that an interim index would be released
30 following the September quarter each year. The index will
31 be independently calculated and we have recommended in
32 the draft report that it be calculated by IPART and the
33 Minister will determine the annual increase in rates -
34 that's the rate peg amount - for most councils after
35 considering the index.
36
37 Just a quick discussion on the time frames.
38 We believe that the local government cost index could be in
39 place for the rate increases to apply in 2010-2011.
40 However, if this was to occur the Government would need to
41 advise IPART fairly shortly after receiving the final
42 report that that is what they want IPART to do so that we
43 can collect the data from councils.
44
45 The medium-term arrangements under Options A and B,
46 particularly those under Option B, would commence around
47 the time of the next council election, that is, after the

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1 2011-2012 financial year. There is a more detailed
2 discussion of time frames in chapter 17 of the draft
3 report.
4
5 Finally from me, the review timetable. The greyed out
6 areas represent things in the past and we have been through
7 those already. As the Chairman mentioned, public
8 submissions are due on Friday of this week, September 18.
9 Someone mentioned to me outside the possibility of an
10 extension and my response to them and I guess the response
11 to everyone here is that we can live with Wednesday of next
12 week. Our problem is that we need to put a final report to
13 the Minister by mid-November and the processes internally
14 to get to that stage do take a fair bit of time, discussion
15 and drafting of the report and going through the quality
16 assurance processes necessary before we give it to the
17 Minister.
18
19 We have held a number of workshops. To date we have
20 held workshops in Sydney, Dubbo, Wagga and Coffs Harbour
21 and today the workshop in Lake Macquarie. I will now hand
22 over to the Chair who will facilitate comments and
23 questions on this part of the workshop.
24
25 MR COX: Thank you very much, Michael. There will now be
26 an opportunity for members of the audience to make comments
27 or ask questions. If there is a question that we can
28 answer or a clarification we can provide we will be happy
29 to do that, but we're also very interested to receive your
30 comments. Can I ask you once again to come to the lectern
31 and to make your comment or your question and to introduce
32 yourself for the benefit of the transcriber. Who would
33 like to lead off?
34
35 MR DEASEY: Craig Deasey, General Manager of Dungog Shire
36 Council. I have a couple of comments and I'll try to keep
37 them succinct. We are a small rural shire with a
38 population of 8,500 and 4,200 assessments. We have
39 710 kilometres of road network and 123 of that is regional
40 road which receives some form of State Government funding,
41 but that is the only part of our road network that does
42 receive any extraneous funding. We do not have a state
43 road, so we do not derive any income from the RTA as
44 regards other works associated with road networks that do
45 arise in the majority of councils in New South Wales.
46
47 In terms of the rate peg, I would applaud IPART for

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1 taking the challenge ahead. From my perspective the
2 political influence has been there and has been clearly
3 evident in the past and the lack of transparency as regards
4 decisions by the State Government and in particular the
5 Minister has been evident in the past.
6
7 Dungog Shire Council has been on a path of trying to
8 increase our revenue through rates for a period of four
9 years. In the first year we did six public meetings and we
10 received three submissions in opposition to the rate peg
11 increase above. The outcome of that was when we put our
12 submission through to the department we were rejected.
13
14 The community was behind us because effectively what
15 the council was trying to do was achieve a 15 per cent
16 increase in our rates base and we had gone to the community
17 and outlined that our approach to this was going to be
18 three applications. We were prepared to do the work for
19 three special work variations as opposed to the work
20 involved in doing a section 508A application for a number
21 of years.
22
23 With a small workforce, I could not afford my staff to
24 be expending time in the monitoring of such an application
25 for that period of time. It was easy for us to do the
26 round table with our community every year and go with the
27 approach of trying to achieve a 5 per cent over the rate
28 peg increase over a three-year time frame, hopefully.
29 Year one we got rejected by the department. The next year
30 we virtually put the same submission up. We didn't do any
31 real public consultation as regards going to the community.
32 We wrote to them all again just outlining where we were
33 headed and all we did to our special variation application
34 was include three tables and that was in relation to some
35 of our asset conditions.
36
37 That was a big enough flag to finally trigger an
38 increase over and above the rate pegging. The same
39 happened again in '07-08. Two years have proved it. We
40 were going for the third and final year of our increase for
41 '09-10 and it was rejected. When you go back to the
42 department and ask for input as regards why it was rejected
43 when we've clearly flagged to them over three previous
44 years what our intent was, it was evident that the answers
45 that came back surrounded the integrated planning and
46 reporting framework which is now coming to fruition.
47

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1 That is well and good, but in the meantime I'm still
2 dragging the chain as regards upgrading infrastructure and
3 improving road safety which is the critical element of what
4 our funding has been about from day one.
5
6 What has happened this year is now the council has all
7 of a sudden been captured by the waste levy. We're also in
8 a position of having to identify what it is going to cost
9 us as a council. We can shift a certain amount to the
10 community, but we're still wearing the brunt of it. It was
11 an unknown because, to be honest, we never track what we
12 put into the landfill from our own works, but also there's
13 now a tax on it and we're forking that out and it is an
14 unknown. We would estimate somewhere in the order of
15 \$40,000 a year. We couldn't predict that at the time.
16
17 I will just say this, you are right, there is a
18 diversity of councils, there is a diversity of environments
19 and there is a diversity of decisions that have been made
20 in the past by councils. Some are good, some are bad and
21 I'm one of the councils that had a situation whereby the
22 Dungog Shire many years ago did not increase their rates
23 and in fact decreased their rates and we're still catching
24 up. With a metre of rainfall every year and seven flood
25 events since the June 2000 storm event, our roads
26 infrastructure continually is being degraded.
27
28 Coupled with that, at the moment we're trying to deal
29 with the Tillegra Dam proposal whereby we will lose rate
30 income and we either spread that burden to our community in
31 the broader term or we cop the loss. That's something
32 which we'll deal with in due course, but from my end there
33 needs to be a cost index that needs to be put in place
34 through IPART and I will support that 100 per cent. It has
35 to be transparent. You only need to look at what the local
36 government award increases have been and compare that to
37 what the rate peg increase has been and they are very
38 comparative for the last 10 years. Thank you.
39
40 MR COX: Thank you very much for your comments and
41 sharing your experiences with us.
42
43 MR BELL: Thank you, Mr Chairman. My name is Brian Bell
44 and I am the general manager of Lake Macquarie City
45 Council. Mr Chairman, could we use the presentation by
46 Michael? Can we scroll through that so that we cover the
47 issues that you have raised? We would like to make a short

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1 comment on each of those, on Lake Macquarie's position and
2 how they see things. Before I start referring to that,
3 thank you for listening to local governments in New South
4 Wales, particularly the position Lake Macquarie City
5 Council is passionate about in terms of where this might
6 go.

7
8 The position that we put is you listened to us, which
9 I have to say is probably better than most times when the
10 previous system didn't listen to the needs of local
11 government. We will be strongly supporting your position
12 in both Option A and B, but we will be looking to run
13 Option B in due course in terms of the time frame. Again,
14 from Lake Macquarie Council, thank you for listening.
15 It does make a difference.

16
17 In terms of the rate pegging issues, very briefly, if
18 Lake Macquarie City Council this year did nothing more or
19 nothing less than last year, there would be more than
20 \$10 million extra costs per year. The rate cap of last
21 year was 3.2 per cent. That brought us the princely sum of
22 \$2.3 million. Therein lies our biggest single issue.

23
24 The increased costs of our organisation are not
25 because we are lazy, slack and idle and don't know what
26 we're doing. It is because we put out the costs for goods
27 and services. Lake Macquarie alone puts out more than
28 \$70 million to the private sector for goods and services
29 and it goes up by more than 3.2 per cent a year. We look
30 forward to your cost index telling us a better story in due
31 course.

32
33 We believe that you are correct about the recent
34 nine years - half have increased by more than and half
35 haven't - but of course part of that is the political
36 process of local councils. Dare I say it that in some
37 cases I suspect it is a lack of understanding of the needs
38 of their infrastructure maintenance for coming years.
39 I believe that many councils don't have enough knowledge
40 about what they have to do. That goes for the rest of
41 Australia.

42
43 That accounts for the fact that they haven't increased
44 their revenues by more than we have. I think it's the case
45 that they perhaps don't necessarily know what their true
46 infrastructure costs are and many of them do not cash fund
47 their depreciation so they can maintain their assets.

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1 In our case we are currently cash funding about 92 per cent
2 of our depreciation costs for asset maintenance, which
3 I think is a pretty good result.

4
5 We agree with the first point. It was not
6 transparent. This year we went for a five-year variation,
7 we got one, but the whole basis for getting the one is
8 costing us a major issue in that we can't import the skills
9 that we require to run that five-year program because we're
10 only offering a one-year opportunity. I won't go on about
11 that. We will deal with that in our submission to you.
12 We certainly agree with the second point about allowed
13 increases do not necessarily reflect council costs. I've
14 just given you a good example of that.

15
16 We believe that we are accountable. We tire - and
17 I say this respectfully - of the patriarchal approach that
18 the State Government takes towards local government and
19 particularly those who do well and know their stuff and get
20 on with the business. We prefer not to be logged with that
21 general statement "council". There are 152 councils in
22 New South Wales and if we were in the private sector many
23 of those would fail, many of them are not failing, but we
24 don't want to be blocked as just "the councils of New South
25 Wales". There are some good councils and there are some
26 poor councils and if we're good, we would like to be
27 treated accordingly. Having said that, Lake Macquarie
28 Council would be very keen to become a case study in any
29 future work with IPART on developing future options for
30 New South Wales local government.

31
32 The limited engagement of community - we agree with
33 that in some cases but not in ours. We think that we have
34 a very significant role in the way that we deal with these
35 sorts of things in a reasonably sophisticated way. I would
36 just like to make that point.

37
38 I agree that the reporting of capital expenditure
39 maintenance is not consistent across councils. Again,
40 that is those who really get on with the business and those
41 who are struggling to understand where they are at. We are
42 one of those net lenders. Our investment issues are
43 significant and yes, we do get income from those, but I put
44 it to you that of half of our investment portfolio, which
45 is in the region of \$50 million - it would be half of that
46 - is section 94 and it is just amazing how that is tied to
47 the State Government regulation which we think in some

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1 cases is quite a nonsense and we would look to a complete
2 review of that, although we have moved into the area of
3 voluntary planning agreements which has helped overcome a
4 lot of that problem, but we still have a significant issue
5 with the way section 94 is restricted in New South Wales by
6 the State Government.
7

8 We also agree with the debt for capital, but that's a
9 political issue in the end. Generally speaking,
10 councillors are not happy with a greater debt level to fund
11 their infrastructure works and it looks better if we're
12 debt free. We believe that the reality is best to be
13 appropriately debt laden but not debt free.
14

15 As to cost shifting, we claim \$11 million per year
16 that we pay in cost shifting and we can verify that with
17 you. We don't necessarily agree with your definition of
18 it, but we'll accept it of course under the circumstances.
19 \$11 million is a lot of money. For us that would be the
20 equivalent of about a 15 per cent rate increase across the
21 board and we're seriously looking at ways we can not
22 necessarily stop but modify the way that we undertake those
23 activities.
24

25 Improved financial reporting. We agree our budget
26 process notes all of those. Our financial statements do
27 not, but certainly our budget process does look after all
28 those sorts of things. It is a public document, so it is
29 there for all to see.
30

31 Improved asset management. We strongly agree with
32 that based on consistent definitions. Asset management is
33 a real issue for all of us. As I say, we think
34 we're pretty well managed and even we are having real
35 difficulties with keeping up with the issues that we face
36 in terms of our assets. We have about a \$2 billion asset
37 base in Lake Macquarie and we spend currently at least
38 \$40 million a year in maintaining the existing assets that
39 we've got.
40

41 The catch-up mechanism we've suffered under because
42 when the rate cap was brought in in the mid 70s, we were a
43 low rate base and unfortunately the rate cap was set at a
44 percentage rather than a figure and we have never been able
45 to catch up. We are significantly behind with similar
46 locations in terms of the actual rate base that we have.
47 Wollongong is a good example. They have quite a few

1 thousand less assessments in some ways, but they get
2 \$24 million a year more in rate income. There are real
3 issues there.
4

5 We certainly endorse an appropriate index. I think
6 that I'd prefer a more individual independently calculated
7 one, which I believe is not your preferred position, but
8 I think I would prefer that for this region and certainly
9 Lake Macquarie because we are very significant in terms of
10 size, we are very significant in terms of growth and we
11 need to have a pretty firm view on what our costs really
12 are rather than statewide. In our view, we cannot be
13 compared to a west of the Great Divide council, generally
14 speaking.
15

16 The Minister would determine the annual increase in
17 rates for most councils. We agree, but we would prefer it
18 not to be us. Timing on the LGCI is fine. I would have
19 liked Options A and B to come in earlier, but I believe
20 that won't be the case. Nevertheless, that will be covered
21 in the '11-12 year. If IPART is given the role to set the
22 independent rate then we would be quite happy with that.
23 From what we can tell, we think your systems are far better
24 than what we've been subjected to for the last 30-plus
25 years. Thank you.
26

27 MR COX: Thank you very much for your comments. It is
28 just perhaps worth saying that as we see the cost index,
29 what that's doing is trying to measure the change in costs
30 of providing a given level of local government services,
31 not so much measuring what the outstanding costs are or how
32 they change from year to year. We think that most of those
33 costs are labour costs, but the change may not greatly vary
34 between councils. It is something we're prepared to
35 further investigate. I don't think we're necessarily
36 hardened in having a costs index, but we need to be
37 persuaded that we need to have more than one. I think
38 that would be our position at the moment.
39

40 MR BELL: Thank you, Mr Chairman.
41

42 MR COX: Thank you. Yes, please?
43

44 MR GESLING: Thank you, Mr Chairman. Peter Gesling,
45 general manager of Port Stephens Council. Thank you for
46 the opportunity of responding to your report and I thank
47 you for your time. My first point would be that as we

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1 understood the terms of reference - and we note that you're
2 concentrating on two terms of reference particularly today
3 - that the issue was a review of revenue framework for
4 local government and we would argue quite strongly that the
5 current report is quite limited in scope in dealing
6 basically with rating and a particular area you mentioned,
7 fees and charges, has been satisfactory. We have been
8 forced to go to that level of forcing fees and charges up.
9 It is not our wish to use that as we have to, but it's a
10 matter of trying to make the books balance at the end of
11 the day.
12
13 Another major area that has been mentioned by
14 Brian Bell previously is about section 94 contributions.
15 The framework for section 94 contributions doesn't provide
16 a full cost for necessary infrastructure, it is a partial
17 cost related to the nexus, and we would have thought that
18 the Tribunal would have considered section 94 as a
19 significant component to our capability of being able to
20 manage the financial resources of local government.
21
22 We have to match those costs that come in and
23 certainly for those councils that have growth and
24 particularly on the coastal councils that have significant
25 growth, it becomes an increasing burden to find that gap.
26 The changes recently to section 94 which allowed us to free
27 that up somewhat and spend it in a different pattern have
28 helped, but it still doesn't address the issue of meeting
29 that cost in the longer term.
30
31 In my council we are a net lender and we acknowledge
32 that. We have a significant investment and business
33 portfolio. Again, that's only driven by the fact of making
34 up the gap between what rates allow and what the community
35 expects in providing for meeting all our obligations in
36 local government.
37
38 Secondly, I would comment on the question about
39 councils and we would accept councils are responsible to
40 the Minister and the community. However, some of the
41 proposals that are prepared - and particularly when we get
42 to Options A and B and mandates - talk about trying to
43 determine a community mandate. Surely that's what the
44 local government elections are about every four years. The
45 councils have a process there. There is a place to consult
46 the community and I'm certain that Port Stephens Council
47 are significant in that, having been successful in getting

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1 rate increases over time and putting the effort into doing
2 that. It doesn't justify necessarily why other people
3 don't get them and why we've got them. There's no openness
4 and transparency in that and that would be helpful.
5
6 I certainly have difficulty with some of the proposals
7 that you'll no doubt consider in the next section about
8 what you consider is the community mandate and cost of
9 getting that or achieving that.
10
11 Secondly, the need for borrowing, certainly that has
12 been reported in a number of reports about local government
13 financing that we need to look at that further. The
14 difficulty in looking at borrowing is you need to be able
15 to repay it and you need to have an income stream to repay
16 it. In my council's case we certainly do borrow
17 significantly, but it is limited to those areas where we
18 have an income stream to repay it and so it is not
19 available for infrastructure backlogs and those areas where
20 you would be chasing your tail if you used loan funds for
21 that purpose.
22
23 I have great difficulty with the Tribunal's definition
24 or interpretation of cost shifting. I note the thinking
25 there and the background to it, but in my experience the
26 vast majority of that has come about where other levels of
27 government have determined that it is good to do something
28 and have offered grants or subsidies to allow councils to
29 take that on.
30
31 Councils on behalf of their communities have found it
32 very difficult to reject them only to find that those
33 subsidies or grants disappear very rapidly. The area of
34 community safety and road safety is a particular example
35 that you can have a look at where grants were provided to
36 encourage councils to take on road safety officers. There
37 is nothing wrong with that purpose. It performs a very
38 valuable task in a community. It is not particularly local
39 government's mandate, we've taken that on, but the grants
40 and subsidies have been progressively removed and it is
41 very difficult to remove that service at a later date. It
42 is not only those things. Yes, councils have voluntarily
43 taken it on, but they have been induced to take it on and
44 the support has been removed.
45
46 I am very supportive of the idea of a cost index and
47 we will deal with that in the next part. The difficulty

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1 I have there is with the inclusion of a productivity
2 factor. If the productivity factor is going to be included
3 there, that's going to have impacts on those councils that
4 are gaining efficiencies over time and suddenly you've got
5 a negative there where that's being reduced, the cost index
6 has been reduced by some factor there, that not all
7 councils will be able to demonstrate that they're achieving
8 that. We would request that that be looked at further.
9 Thank you very much.

10
11 MR COX: Thank you very much for your comments. It is
12 perhaps just worth commenting on a couple of them.
13 Firstly, I think we would probably share your view that the
14 shift from rates to various kinds of user charges has
15 probably gone as far as it can and we would be concerned
16 about a further shift in that direction.

17
18 However, I think it is fair to say - and Michael soon
19 may want to add to this - our terms of reference did ask us
20 to look in particular at rates and various charges are
21 really part of the rates system rather than looking at
22 charges more broadly. That was the particular terms of
23 reference we had. Is that right, Michael?

24
25 MR SEERY: Yes.

26
27 MR COX: That is one thing worth saying. We note your
28 comments on the community mandate. We will come on to
29 that in the next session. I agree that that's proving to be a
30 controversial issue in these various sessions.

31
32 On the productivity factor, I think what we'd say
33 there is that many organisations are required to make
34 productivity improvements from year to year, including
35 IPART, so I don't think there's anything particularly novel
36 about the idea that local government should also be
37 expected to make productivity gains from year to year.
38 I agree that there could be considerable discussion and
39 debate about how exactly that might be done, but I think
40 the principle is probably one that's widely accepted now.
41 Are there further comments? Yes, please.

42
43 MR SHINNICK: Good morning. My name is Peter Shinnick.
44 I am the CEO of the Hunter Business Chamber. Thanks very
45 much for the opportunity to be here this morning. The
46 chamber has 1,000 member companies across the 11 LGAs here
47 in the Hunter and in fact we've taken quite a keen interest

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1 in this process. Two of the councils that are represented
2 here today are members of the chamber and so we speak on
3 behalf of our members. We have also engaged the
4 Hunter councils. Our board made a decision in a meeting
5 that was held in this place in May, I think it was, that we
6 would in fact, in setting our strategic plan for the next
7 year, address the issue of rate pegging with the councils
8 because it is a major concern to industry. It is a major
9 concern to business as each year one of the major costs
10 they incur are increases in business rates, which are
11 related of course to the overall council rating structure.

12
13 I have two specific points, one of which I require
14 clarification on and one is I think a point the context of
15 which needs to be broadened a little from the definition
16 you've given this morning. The first - and you partially
17 addressed it just a moment ago - is with respect to the
18 overall income that councils gain. Can you just clarify
19 the point that you briefly mentioned there about what your
20 attitude is towards user pays structures within council
21 rather than in the overall context?

22
23 If and when the Option A and B regime comes in - which
24 by the way the chamber supports - what is the approach
25 going to be towards the current use by councils of
26 increasing fees and charges sometimes at fairly exorbitant
27 rates?

28
29 MR COX: Could I go back a bit? One of the things that we
30 observe in our report is that while compared to other
31 states rates have been restrained in New South Wales,
32 user charges have increased more rapidly in New South Wales
33 than the other states. What councils have done, because
34 their rates income have been constrained, they have made
35 more use of these various forms of user charges.

36
37 From my point of view that's not necessarily a bad
38 thing, but we think we're getting to the stage where it's
39 becoming harder for councils to obtain further increases in
40 user charges and obviously an example of that is what has
41 been going on with developer charges in recent times.
42 I think it is getting harder.

43
44 What we're trying to do in this report is to try to
45 free up the rate side a bit in the expectation that further
46 increases of the user charges may be harder to attain by
47 councils. What would our report mean for councils if it

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1 were to be implemented? It means that they will be able to
2 set their own levels of user charges. I don't think
3 there's any suggestion we should move away from that, but
4 there would be perhaps less pressure for them to increase
5 user charges in future because they'll get the increase in
6 rates revenue that is more reflective of their actual
7 increases in costs.

8
9 MR SHINNICK: Thank you very much. My second point is
10 with respect to cost shifting. Your definition - which
11 I tried to copy down there a moment ago - was that the
12 higher level of government requires local government to
13 provide a service. That may well be the case, but what
14 we're finding is that in fact local government is in many
15 instances purely the middleman in this instance. What
16 we're having is state instrumentalities directly impacting
17 upon the viability of businesses by imposing and just
18 shifting costs which are totally disproportionate to the
19 value of some of those particular developments.

20
21 I can cite a number of examples of major developments
22 here in the Hunter where the RTA in particular have been
23 totally shifting the cost base of their business on to
24 business and the development applications are rapidly
25 passed through council and they're to be congratulated on
26 that and then we enter into the conditions and the
27 negotiation phase. I have personal experience of a DA that
28 was held up for 15 months in Newcastle City Council and a
29 \$6 million development that could have happened in this
30 city didn't happen because negotiations just failed to get
31 through the RTA when there was no option at all of being
32 able to even engage them.

33
34 My point is that in the issue of cost shifting it is
35 not simply an issue of local government's role in this. It
36 is the impact that cost shifting is having on businesses
37 and the viability of businesses here in the Hunter and
38 that's just a point that I would like to make.

39
40 MR COX: Thank you very much.

41
42 MR SHINNICK: Thank you.

43
44 MR COX: Yes, please.

45
46 MR EVANS: Thank you, Mr Chairman. My name is
47 David Evans. I am the general manager of Maitland City

1 Council. Thank you for the opportunity to speak briefly to
2 you this morning. I won't take too much time. I generally
3 want to say that I certainly would echo and support the
4 feedback that has been provided by my general manager
5 colleagues this morning.

6
7 I might on the point of user charges, given that it
8 was just raised, point out that user charges in local
9 government - I think it is recognised, but it should be
10 stated again - certainly are not based on full cost
11 recovery. There is an extensive subsidisation of the use
12 of many public facilities that are provided by councils and
13 of course that subsidy is funded through the rate revenue
14 that councils have to rely on.

15
16 We appreciate and would support that we be allowed to
17 continue to rely on fees and charges as an important source
18 of revenue. There are inherent limitations on that in
19 terms of the ability of the community to pay. There are
20 community service obligations that come in to the
21 consideration of those issues and at the end of the day,
22 there is still a strong reliance on rate revenue to
23 subsidise the cost of many of the facilities that we
24 provide.

25
26 In a general sense I guess it needs to be said - and
27 I believe it is the view of my own council - that there is
28 fundamentally an opposition to rate pegging in New South
29 Wales. That has not been said this morning, but I think as
30 a principle it is a position that as an industry I believe
31 local government should take. The observations of the
32 other States I would suggest in some ways reflect that
33 councils are responsible when they operate in an
34 environment where their rate revenue is not regulated by
35 their respective state governments.

36
37 The reason for that responsibility will of course
38 vary. We have heard this morning of councils that have not
39 taken up rate increases in our own area, who have in fact
40 reduced rates, and that will be a judgment taken by
41 councils in any year on their belief as to the ability of
42 their community to pay.

43
44 Having said that, my own view is that rate pegging has
45 run its course in New South Wales. I think in many
46 respects it is a forced efficiency within New South Wales
47 local government and service delivery by local government

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1 within New South Wales, but effectively I believe it has
2 run its course.
3
4 Having said that, I support - and my council would
5 support - the options that are being presented in the draft
6 report as an important step in improving the situation that
7 we have as regards our rate revenue and we certainly
8 welcome the introduction of a cost index that would be more
9 reflective of the position that local government finds
10 itself in.
11
12 In my own council the advice I have from my asset
13 management staff is that our costs have increased by some
14 55 per cent over the last nine to 10 years, but our revenue
15 has increased by only 30 per cent over that same period of
16 time. Therein is part of the problem of our ability to
17 keep pace with our asset maintenance obligations and
18 responsibilities.
19
20 We support Option B and particularly its alignment
21 with the integrated planning and reporting process that is
22 being introduced in New South Wales. There is a logic to
23 the pairing of the council's delivery program over four
24 years with an ability - subject to exemption - to set its
25 own revenue flows from rating over that same period of time
26 and we express our support for that.
27
28 The reality though is that in our own circumstance we know
29 now from our asset management strategies and planning
30 that Maitland City Council needs a minimum of an additional
31 \$5 million in revenue a year. Our budget in the current
32 year is just under \$70 million. We know that we need an
33 additional \$5 million to bring the city's assets to a
34 fit-for-purpose condition and to be able to maintain it in
35 that condition from here on.
36
37 We are also a council experiencing significant growth.
38 We are one of the fastest growing LGAs in New South Wales
39 and with that increased growth comes an increased
40 consumption of the city's assets. It is simply the case
41 that the current rate pegging regime doesn't allow us to
42 address that increased consumption of the city assets over
43 time.
44
45 With that growth comes the demand for new facilities
46 and new infrastructure and the comment has already been
47 made that section 94 is not adequate within itself to fund

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1 those new and additional facilities that are needed. There
2 is an apportionment mechanism that exists that sees the
3 council needs to find revenue to supplement section 94
4 funding to meet the cost of new facilities. Again, in our
5 own case in Maitland that adds about another \$3 million a
6 year to our current revenue base to allow us to keep pace
7 with that.
8
9 In closing, having again supported the comments already
10 made, we are a council that does enjoy strong support
11 from its community. We do annual community surveys
12 and we sustain a very high overall satisfaction rating with
13 the performance of the council, with the delivery of
14 services by the council and there's also a strong
15 expression of confidence in the council's management of the
16 city and the city's future.
17
18 We have relied on that in the past to secure one
19 special rate variation, something in the order of about
20 6.2 per cent, which through public consultation attracted
21 about 10 submissions in direct response to it and of those
22 10 submissions, I think from memory about five or six of
23 them were expressions of support for the rate increase and
24 certainly one of those submissions came from our local
25 chamber of commerce.
26
27 Our strong belief is that we can address these issues
28 in partnership with our communities and in that sense
29 I conclude with the question as to what cause there is for
30 the Minister for Local Government of the day to still have
31 some regulatory role in a situation where councils can
32 develop and rely on that partnership and agree on a revenue
33 stream to provide the standard facilities that their
34 communities need. I will leave it at that. Thank you.
35
36 MR COX: Thank you very much. Does anyone else want to
37 make a comment on this session?
38
39 (No further response)
40
41 We might move on to the next one which is the options.
42 The second session is concerned with, if you like, some
43 detailed discussion of the two particular options we put
44 forward in our draft report. Really, I suppose we drew a
45 number of conclusions about the current framework and
46 improvements that could be made if it was to be done. The
47 first one was that there should be more of a multi-year

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1 approach to revenue raising, so that I suppose particular
2 councils would have some certainty of basis of planning as
3 to what their revenue was going to be for a number of years
4 into the future and could plan to match revenue with the
5 need to provide services and the costs of providing those
6 services.

7
8 Secondly - and this has been noted today - we thought that
9 the approach to rate setting needed to be more independent,
10 rigorous and transparent really so that people would
11 know why decisions were being made and at the moment
12 often that is not the case. We thought that there needed
13 to be a link between the various strategic planning
14 processes so that revenue is linked to the need for
15 revenue: if you like, capital operating expenditure plans
16 to provide a particular level of services.

17
18 We thought that there needed to be an explicit and
19 independently calculated price index so that people would
20 understand what movements and costs were for councils from
21 year to year and as we have also noted, we thought there
22 should be a productivity adjustment factor to share the
23 benefits of productivity gains with the local community.
24 If you like, productivity gains would essentially be shared
25 between councils and their communities.

26
27 Moving on to the next one, we made a framework that
28 builds on the work that has been done to improve
29 accountability and community engagement through the
30 integrated planning and reporting framework of the
31 Department of Local Government. We wanted to provide
32 greater transparency and certainty and we also wanted to
33 provide an option of giving councils greater autonomy while
34 maintaining if you like a degree of community confidence
35 that excessive rate increases would be avoided. This
36 obviously is an option. We realise that greater autonomy
37 may not always be desirable or viable for all councils, so
38 we thought there would be a number of options.

39
40 Moving on to the next one, there were two options that
41 we presented for discussion. The first one we called
42 Option A which is really an improved version of the
43 existing rate pegging arrangements. I suppose the
44 particular focus is a medium-term revenue path and trying
45 to improve links between strategic planning generally and
46 rate setting. We also thought Option A would be the
47 default option for all councils so that those that don't

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1 want to proceed to Option B or do not qualify for Option B
2 or qualify for Option B and then cease to qualify, they
3 would then go into Option A.

4
5 What Option A would involve is a cost index which we
6 would calculate and publish which would include a
7 productivity adjustment. Then the Minister would determine
8 the annual rate increases partly on the basis of this index
9 where they could consider some other things and it is
10 perhaps worth saying here that the cost index really
11 measures the change in costs from year to year providing a
12 particular level of service and if the service the councils
13 were required to produce, whether through cost shifting or
14 some other imposition, actually changed through time then
15 there would be scope for the Minister to take account of
16 that in determining the annual rate increase.

17
18 We are pretty keen on the idea that the Minister
19 should provide reasons for the annual rate increase so that
20 if there's a departure from the IPART determined index,
21 people would know why that's been done and what the
22 departure was. That is the first part, if you like. It is
23 an annual rate-setting process.

24
25 The second part is a multi-year component. Councils
26 could apply for a special variation, so something over and
27 above what was determined for the annual rate increases by
28 preparing a four-year revenue plan and then once again the
29 Minister would approve or disapprove the application for
30 special variation and would be required to give reasons for
31 that.

32
33 Could we move on to the next one, Michael. How this
34 would work. We would calculate the local government cost
35 index and then we would advise the Minister of the results.
36 Perhaps from the statements that came up this morning,
37 we suggest in our draft report that this would be one
38 single cost index for the whole of the state. The reason
39 for that was that we looked at a number of councils and
40 particularly 11 case-study councils, which included some
41 represented here, and the cost structure in those councils
42 tends to be pretty much the same. I think while rural
43 councils are different from urban councils, labour is an
44 important cost index for all councils.

45
46 Having said that, it is possible that as we do some
47 more work on the area we may feel there are important

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1 differences in the structural costs between councils and if
2 we were persuaded of that then there might be a case for
3 more than one index. Obviously, if you do have more than
4 one index you have to decide which councils go into which
5 index and that could be quite contentious in some cases.
6

7 Also what the index does distinctly represents the
8 changing costs from year to year in providing particular
9 levels of service. Obviously, the costs of different
10 councils will vary and it may well be a case of departing
11 from the resulting index if council does, for whatever
12 reason, undertake additional services. That's the bit
13 about the index. Obviously, we're saying that the Minister
14 would then decide the rate peg amount taking account of the
15 index and other things. They can then apply for special
16 variations, particularly if they comply with the integrated
17 planning and reporting framework and as we were saying
18 before, the Minister would need to give clear reasons as to
19 why the application for a special variation was or was not
20 approved.
21

22 Moving on if we may, these are possible assessment
23 criteria to proceed to the multi-year price path that we
24 assume the Minister would look at and what they would do
25 with things like the need for services requirements for the
26 community, areas of unmet demand, perhaps also evidence of
27 the need to address issues of backlog and so on. That is
28 the need for special adjustment. There would be special or
29 unique cost pressures faced by the council that would need
30 to be considered and that's where perhaps issues of
31 additional services being required for whatever reason
32 would need to be addressed.
33

34 The implications for community safety and health of
35 the community would need to be considered. The financial
36 sustainability of a community or a council would be an
37 important issue here because the multi-year variation under
38 Option A seems to us to be often quite a good way of
39 addressing the situation where a council has a substantial
40 backlog of things that need to be addressed. The special
41 variation process could well be designed to achieve that
42 objective.
43

44 Councils would need to show that they were making
45 adequate use of other resources and funds such as,
46 for example, scope to take on additional borrowings and
47 they would need to look at the impact on ratepayers. That

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1 is Option A which is if you like an improved version of the
2 existing rate pegging process.
3

4 Option B. We suggest that councils should have the
5 opportunity to proceed to a greater autonomy. The
6 fundamental thing there is that they would need to
7 demonstrate various things. The Minister would actually be
8 allowed to proceed along the road to greater autonomy.
9 What we suggest is that councils may be exempted from rate
10 pegging for up to four years if they develop a list of
11 major projects in consultation with the community and have
12 those costed, they develop a revenue plan for four years
13 and then they seek community support for those loans in a
14 number of ways that we'll discuss a bit later on.
15

16 Those are if you like pre-conditions to move to
17 greater autonomy. Probably the important thing there is to
18 have sufficiently well articulated plans and objectives at
19 that point. If the Minister doesn't think that they
20 qualify for Option B, they then go back to Option A.
21

22 A bit more on conditions for Option B. Councils will
23 need to demonstrate good operating results, a reasonable
24 liquidity ratio, sensible debt levels, a responsible
25 funding policy, a track record of good asset management and
26 a comprehensive asset management plan. They would need
27 to have a medium-term approach to revenue, expenditure and
28 service delivery and they would also need to demonstrate a
29 community mandate, which is the next issue we need to
30 discuss.
31

32 In the draft report we suggested two options to engage
33 the community: that is if you like a community survey
34 deliberation option. We have obviously done a number of
35 these public hearings and one of the things that has come
36 out is a lot of people think there is a third method which
37 is not a survey of the whole community but a sample survey
38 and that's something we will need to think about when
39 finalising our report.
40

41 In terms of what we had in the draft report, councils
42 will be required to provide information about their program
43 of works and the revenue to fund it. Under the community
44 survey document they would need to send this material to
45 the community and there would then be if you like a survey
46 of the whole community on the basis of that. The question
47 then is what is an adequate response in terms of achieving

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1 or demonstrating, if you like, community support and we
2 suggested that the guideline for a reasonable response rate
3 for a survey might be 25 to 30 per cent of residents
4 responding and a level of support of say 50 to 60 per cent
5 of those actually responding supporting the option.
6

7 Obviously, those two are to some extent interrelated.

8 For example, if you are prepared to accept a lower response
9 rate, you then might want to have a higher proportion of
10 respondents that actually do respond agreeing with the
11 proposal. That was the community survey option.
12

13 The second one was the voting option and we suggested
14 there that the plan would be taken to an election by the
15 incumbent council. The incoming council would then need to
16 more or less support the campaign. They don't have to
17 actually 100 per cent support everything, but support the
18 general thrust of it, and then they would make an
19 application to the Minister and then the Minister would
20 decide whether the council received the mandate. That was
21 the voting option under Option B.
22

23 As I was saying earlier, I think there were a number
24 of ideas that were advanced as other ways of demonstrating
25 community support. Under "Who does what" under these
26 options, there is a fairly important role for the Minister.
27 He or she would determine the annual rate increase. They
28 would determine special variations under Option A.
29 They would confirm that the council is eligible to consult
30 with the community under Option B and then they would
31 determine whether they have community support also under
32 Option B. That is the role of the Minister for Local
33 Government.
34

35 IPART would ensure that rate pegging, if you like, or rate
36 setting more generally perhaps, is integrated with the
37 integrated payment framework. The department would
38 monitor rate increases and they would establish performance
39 requirements and monitor compliance with accountability
40 criteria. That is what the department would do. Our role
41 here - and you will remember that one of the terms of
42 reference was a role for IPART - would be to develop the
43 index, review the index and weightings periodically and to
44 propose productivity adjustments and then also to publish
45 the index year by year.
46

47 That is what we had in mind. We would like to hear

1 from you obviously and the things that we'd like to hear
2 from you on are what do you think are the relative
3 strengths and weaknesses of Option A? Is Option A a
4 significant improvement over what exists at the present?
5 Are the eligibility criteria for entering into Option B
6 stringent enough or perhaps you might think they're too
7 stringent and that they're not achievable.
8

9 It was suggested to us that we should in fact make it
10 easier to enter into Option B than we did in the draft
11 report. Have we had the right attitude in looking at the
12 criteria for Option B and how are they working in practice
13 and engaging with the community under Option B with the
14 survey approach and the electoral mandate, how have they
15 worked in practice?
16

17 Michael, we might just leave those ones up perhaps for
18 people to focus on and we will be interested in your
19 comments, questions, views and suggestions. Thank you.
20 Who would like to start?
21

22 MR DEASEY: Craig Deasey, general manager, Dungog Shire
23 Council. I have just a couple of comments. Being a small
24 council with a total workforce of 67, trying to do anything
25 in terms of Option B will be a major project. Aside from
26 that, just the costs associated with any survey have to
27 come from somewhere. When your budget is already as tight
28 as ours and in fact in deficit this year, you're going to
29 add to it. That is the same when we look at integrated
30 planning reporting. Just purely doing the asset management
31 plan and the work there is going to be extremely difficult.
32 Resourcing it is near impracticable.
33

34 It is probably one of the legacies of rate pegging
35 because there is a major skill shortage out there, and
36 particularly in the Hunter, for councils to retain staff
37 when you're competing with private enterprise. It has
38 certainly got some very generous packages out there. It
39 does make it difficult to compete, let alone perform.
40

41 I can wear Option A. As I said, Option B would be a
42 challenge for a small rural council. As to the issue of
43 community surveys and the like, our last community survey
44 which went out to all ratepayers came back by form and they
45 could drop it in to us at various areas, like village post
46 offices and the like. Out of 4,000 community surveys we
47 ended up with 322. We knew what the response was going to

1 be in our shire. It was going to be roads, "Fix the
2 roads", and it still is, and I don't need to be a rocket
3 scientist to tell you that if I put it out there again
4 today they're still saying, "Fix the roads".
5
6 As regards a voting plan, I don't know how that would
7 work in local government. To be quite honest, my council
8 is just all independents, so if you've got nine
9 independents there how the hell are you going to put
10 forward a mandate to the Minister when the people will
11 probably vote for the ones who say, "We're not going to put
12 rates up." To me that is just a very retrospective
13 approach to it. I do not believe that it would work.
14 I know it wouldn't work in mine. With nine independents,
15 five new ones this time, it just wouldn't work. You could
16 not get them there.
17
18 Besides that, you've got to educate them first as
19 councillors. They need to be aware of what they're getting
20 into. They need to be aware of what the condition of the
21 assets is. They need far more detail than what you give
22 the community at times. They've got to get an in-depth
23 knowledge of your organisation. They've got to know what
24 the competing priorities of the community are and whilst
25 they are a councillor in my area - all nine of them - there
26 are three wards, so I've effectively got three from
27 different areas bringing forward the ideas and the mandates
28 of those areas.
29
30 When you get a gap in one of the wards and you get
31 another councillor from another area, another individual
32 can slot over into there and they'll get elected: that's
33 what happens. They don't even need a mandate at times,
34 because it's getting quite difficult to have councillors
35 that have got the relevant qualifications and experience to
36 come into local government. It is a challenge. I will
37 leave it at that because I'm sure there will be better
38 comments than me from some of the larger councils on this.
39
40 MR COX: Thank you very much for your comments and
41 your experience.
42
43 MS LOFBERG: Kelly Lofberg, external relations specialist
44 at Lake Macquarie City Council. In my comments I will
45 probably concentrate on Option B. We recognise that there
46 is a great deal of diversity, particularly in this room,
47 and the issues affecting us at Lake Macquarie will be

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1 significantly different to rural and metropolitan councils
2 and even when you look at us compared to our neighbours.
3 Any system that's introduced has to be flexible enough to
4 allow for localised conditions and operations.
5
6 Moving to Option B, it must be a choice supported by
7 the community, by the elected councillors and the
8 administration. The recommendations identified in the
9 draft report provide flexibility for those councils wanting
10 to operate under Option B and a default option for those
11 other councils. However, this is only while other funding
12 mechanisms remain in place. We have heard today about
13 grant funds and the reliance on those. At Lake Macquarie,
14 40 per cent of our funds are sourced from grants and
15 contributions out of a \$180 million budget. It is quite
16 significant when our rating income is approximately
17 \$41 million. It is nearly on par.
18
19 The IPART recommendations - once adopted by the
20 government - will work hand in hand with the long-term
21 strategic planning and resourcing requirements currently
22 being debated in parliament, namely, the integrated
23 planning and reporting framework. Lake Macquarie is in a
24 unique position to easily transition to the new planning
25 and reporting framework with key components of the bill
26 already in place.
27
28 In terms of the planning and reporting criteria that
29 was talked about in the draft report, there are a number of
30 questions. In terms of the timeline, it would be
31 appropriate under Option B for that to take effect after
32 the September 2012 elections. This will then provide an
33 opportunity for the newly elected councillors to
34 participate in the consultation and budget process. By
35 having a longer consultation period and avoiding the
36 election campaign period, it is hoped that there will be
37 less likelihood of electioneering.
38
39 Council officers have put together - and we will be
40 including a copy in our submission - our internal planning,
41 budget and reporting framework. We have overlaid our
42 internal processes with the integrated planning and
43 reporting framework and also the rates revenue currently in
44 place and those recommended by IPART. On top of that,
45 we have included the financial assistance grants as well.
46
47 When you look at that it's quite clear that the

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1 significant community consultation that occurs in all of
2 those levels of our processes and how they will fit
3 together, it is going to be a complicated process and it
4 will be very difficult for a number of councils to adopt
5 these initially, I believe.
6
7 Public consultation and the democratic input I believe
8 can be achieved through additional methods than those
9 identified and talked about this morning. Council does not
10 support the voting options suggested in the draft report.
11 It will be extremely expensive to run a formal vote or a
12 mandate in conjunction with an election. We contribute
13 over \$1 million to an election campaign, so to have a
14 formal mandated vote on top of that would add significant
15 costs to the process.
16
17 We would also be competing for attention. It is an
18 election campaign after all, so if we're trying to clearly
19 articulate our budget processes and our vision for the
20 development of the city, it would be extremely difficult to
21 get any airspace during that period. It is also an obvious
22 option for potential interest groups to electioneer during
23 that period on the budget process.
24
25 The survey option, although it represents the most
26 logical and efficient alternative, there are some questions
27 around the percentages. I noted in the draft report it
28 refers to "ratepayers", but in the discussion point you've
29 mentioned today it refers to "residents". There is a great
30 difference between whether it's ratepayers or residents and
31 we would definitely like to see residents included. It is
32 not very equitable to only include ratepayers in the
33 development of this city and the forward vision, so I would
34 just like to make that clear as well.
35
36 Based on the recommendations that were printed in the
37 draft report, it does refer to ratepayers. We have about
38 73,000 residential ratepayers and based on the percentages
39 that have been talked about, that means over 17,000 people
40 would need to participate in the survey and that would be
41 extremely expensive. In a recent quote that we've received
42 to randomly select - this is for a grants survey - 1,000
43 residents is approximately \$40,000. If you extrapolate
44 that over 17,000, it is quite a huge burden on any
45 council, large or small.
46
47 Survey sizes of less than those recommended will still

1 be statistically reliable and will present meaningful
2 information. However, we don't believe that surveys alone
3 will provide the sort of consultation that you need to get
4 to move to Option B. It is simply a one-dimensional input.
5 It would provide a good starting point or evaluation
6 mechanism as part of the overall engagement process.
7
8 A more effective system would require significant
9 flexibility to include varied methods of consultation in
10 surveying. For example, here at Lake Macquarie our
11 sustainability department responsible for improving and
12 protecting our environment has adopted an
13 outside-the-square approach when engaging with the
14 community to address climate change. The model known as
15 deliberative democracy works on the principle of empowering
16 the community to make their own decisions, create, adopt
17 and implement a plan to deal with climate change issues.
18
19 The local community makes these plans with assistance
20 from council. To date, we have had a number of communities
21 that have participated and there will be a number more
22 rolled out in the near future. The response to this has
23 been overwhelming. You actually get engagement from the
24 community. They take ownership of those issues.
25
26 These sorts of principles can be adopted in other
27 council activities. That is the sort of model that we
28 would like to include in terms of our community
29 consultation process as well, not based simply on a survey.
30 They are the comments that I've got. Thank you.
31
32 MR COX: Can I just ask you a question, if I may?
33 You raised the alternative methods of determining community
34 support and that's obviously something we're interested in
35 as well and we're thinking about a bit more. The issue in
36 my mind is a sort of transparency issue in a way. It is
37 important for the community to know that all this is going
38 on and be confident in the results. If it is a survey or
39 some process in which only a small group of people have
40 participated, would you have that degree of confidence in
41 the community and how would you think about generating it?
42 After all, as a group, it makes its displeasure known to
43 the Minister. You may not be able to answer that.
44
45 MS LOFBERG: That was just one example. I have mentioned
46 a number of others in our submission. It's to show that
47 it's more of a matrix. I think that surveys don't allow

1 significant input into how you see the vision for the city,
2 so you can have "yes" and "no" questions, a lot of the
3 things that we're doing at the moment, and you still have
4 the traditional methods. You have workshops, you have
5 forums, you have round table discussions, all those things
6 can still take place. Minutes can be made of those forums.
7 The plans in the community empowerment programs are
8 written plans and they are adopted by the community as well
9 as council.

10
11 There is significant input and paper trails on how
12 those programs can work and that can all be included in
13 terms of your submission to the Minister. I'm not saying
14 don't use surveys, but there are other things that councils
15 are already using that can add value to the process.

16
17 MR COX: Thank you for that and we look forward to reading
18 your submission. Yes, please.

19
20 MS FLAVEL: Fran Flavel, corporate strategic planner at
21 Port Stephens Council. Just a number of observations from
22 the view of the coalface operators, like my colleague
23 Kelly Lofberg, who have to actually implement a lot of this
24 stuff.

25
26 The first thing that I would say is that whilst
27 comparisons with other states is a reasonable methodology,
28 in our case, as the only state with rate pegging, I suspect
29 that it's probably somewhat irrelevant to compare us with
30 other states because we are a different jurisdiction and
31 the governance around local government is quite different
32 in New South Wales.

33
34 I have a couple of other observations. Talking about
35 catch-up mechanisms and the example given of bulking up,
36 I just can't see that that would be politically acceptable.
37 No-one will go to an electorate that has been paying
38 3 per cent and suddenly pays 12. That's not going to
39 happen.

40
41 I echo the view of the Lake Macquarie people about the
42 definition of "community". If you like, council's contract
43 with the people who pay the rates is with the ratepayers.
44 We have approximately some I think 28,000 rateable
45 properties in Port Stephens and a lot of absentees as well.
46 Probably only 21,000 of those are actually living in the
47 shire.

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1
2 Non-ratepayers however are often the greater users of
3 council services and particularly at the socio-economically
4 lower end of the scale, so there's a need to have their
5 views included as well because any rate adjustments will
6 actually flow through to what rents they pay.

7
8 Going on further to the timing of the processes,
9 anything that happens in March is too late, whether it's
10 draft, indicative or whatever, basically because whatever
11 decision has to happen before you put applications in has
12 to go to council in February, which means you're consulting
13 your community in December and January and frankly, that's
14 disrespectful to them because they're on holidays and
15 they're trying to work out what we're going to slip past
16 them and that has been the view we've experienced before
17 and it is not pleasant answering those questions.

18
19 The other thing is more recently we have also
20 requested quotations for our community consultation and
21 community satisfaction surveys and using just one of those
22 quotes about the middle range, I ran the numbers for the
23 7,000 that we would need to get a response from, positive
24 or negative. You're talking of a cost to council - and
25 that's a 15-minute telephone survey and you would need
26 15 minutes just to explain what it was you're trying to do
27 - of about \$285,000 and that's not sustainable at our
28 council.

29
30 However, we have also through the use of independent
31 experts worked out that a statistically representative
32 sample of around 500 to 600 people is perfectly appropriate
33 and if we are going to use that for satisfaction with our
34 services and facilities, I can't see why we couldn't engage
35 in that same conversation and at a much more affordable
36 cost, but even then that's around \$25,000 to \$28,000.

37
38 I question the opportunity to do anything going into
39 voting on the grounds that it is not workable, as Mr Deasey
40 said, but it's also possibly not equitable, because with
41 respect to people standing for council for the first time,
42 once they're nominated you would have to brief them on
43 what's going on and so forth and I think the
44 Electoral Commission has fairly strong views on that.
45 You're not supposed to interfere with that process.
46 You might actually put people off. That's another of those
47 areas and nobody is really going to stand up at election

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1 time and say, "I'm going to vote for increased rates."
2
3 The other issue around that is that the community may
4 have been consulted on the integrated plan, they may want
5 these increased facilities, services, whatever it is, but
6 when it actually comes time to pay for it there's probably
7 a gap and so I think that that voting option is just not
8 going to happen. That's my contribution from the coalface.
9 Thank you.

10
11 MR COX: Thank you very much.

12
13 MR BROYD: I am David Broyd. I am group manager for
14 sustainable planning at Port Stephens Council. Thank you
15 for the opportunity to present to you. My comments are
16 really directed at the perspective of growth councils on
17 the IPART deliberations and particular proposals for
18 Options A and B.

19
20 Port Stephens has a current population of about
21 65,000. Under the Lower Hunter Region strategy that is
22 planned to grow to just under 100,000 probably by year 2031
23 and in the year 2011-2012 we will have a population of
24 another 3,000 or 4,000 people in the shire. The options
25 that present in terms of a survey of current community or a
26 mandate and by voting approach is with existing community
27 and the community that we are planning for is, in the
28 longer term, that four-year period and they obviously don't
29 have a say in such a process under Options A and B.

30
31 As a council - and with many other growth councils - we
32 are approaching planning for development in a much more
33 integrated manner with the delivery of infrastructure and
34 the life-cycle costing of maintaining the infrastructure.
35 It has a much longer time span than the four-year period of
36 the management plan and therefore that longer term
37 financial planning really needs to be very carefully
38 considered as an endorsement for rates in the future are
39 determined.

40
41 Under the current arrangements for developer
42 contributions any council proposing to exceed \$20,000 per
43 lot has to get the approval of the New South Wales Minister
44 for Planning. She is advised by a panel which takes into
45 consideration wider financial factors and performance of
46 the council making the application.

47

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1 The fundamental of developer contributions is that
2 growth leads to demand for public services and facilities
3 and the developer contribution should provide for the
4 facilities to meet those demands. It would be unfair and
5 potentially inequitable on the existing population if the
6 other financial costs of providing those demands for
7 facilities were imposed on the general revenue stream of
8 council or general financial approach of council rather
9 than developer contributions.

10
11 The main point I wanted to make is that there needs to
12 be a longer term and planned perspective to have
13 determinations reached for the decisions about rates within
14 a four-year period than relying upon a mandate or a loading
15 mechanism in that particular limited time of four years.
16 Thank you.

17
18 MR COX: Thank you very much.

19
20 MR EVANS: Thank you, Mr Chairman. Again, David Evans,
21 general manager of Maitland Council. Just to focus on the
22 discussion points and I guess by way of a summary from my
23 own point of view, the changes that are advocated under
24 Option A I said earlier I believe are a step forward and
25 potentially an improvement over the existing arrangements.
26 That potential I think resides within the cost index that
27 is mooted for Option A. I would place a question mark on
28 the productivity discount, if that's the word I should use,
29 that might ultimately be applied to that.

30
31 As to whether it proves to be a significant
32 improvement over the existing arrangement I think rests
33 really with the Minister's decision at the end of the day
34 and that's the unknown in Option A. We are still beholden
35 to a Minister for Local Government to make the final call
36 on what the allowable increase will be.

37
38 In terms of Option B, again, I believe there's strong
39 support for Option B. I respect and hear the comments of
40 Mr Deasey from Dungog representing a smaller rural council,
41 in that there's an inherent cost in being able to pursue
42 Option B as a council. We have heard from Lake Macquarie.
43 With a council the size of Maitland sitting somewhere in
44 the middle, a \$70 million budget, 68,000 people and a
45 council that does an annual community survey, Option B is
46 not something that we would take issue with as far as the
47 processes that are mooted to go down that path.

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1
2 I think the eligibility criteria are reasonable in
3 that sense. I think if a council expects to be exempt from
4 a system of rate pegging it must demonstrate its financial
5 management performance and do that by looking back over
6 time at how the council has handled its financial position.
7
8 I think the importance of community engagement can't
9 be dismissed, I made that point earlier, and our experience
10 in Maitland is that that community engagement is there for
11 councils who have in the past gone down the path of seeking
12 rate variations.
13
14 As to the arrangements for that community engagement,
15 I have expressed my concern about a voting mandate or
16 anything that is remotely linked to the general local
17 government election cycle. I think the risk is that it
18 creates the potential for election platforms and I don't
19 believe that's our game.
20
21 From a populist politicking point of view, it is very
22 easy for an intending councillor or a candidate to take the
23 position of opposing rate increases without necessarily the
24 knowledge that underpins the council's position in seeking
25 a rate exemption over that period of time and to allow rate
26 increases at the discretion of the council.
27
28 As regards the survey itself, I don't support the
29 percentages that are advocated in the option. Our
30 experience now since the early '90s is that in doing an
31 annual community survey with a telephone interview, ours
32 runs for about 25 minutes, it is a random selection of some
33 600 households across our LGA, about 26,000 rate
34 assessments if you like, but we don't talk to the
35 ratepayer, we talk to a member of the community, they're
36 qualified at the interview stage, so we get about 600
37 responses.
38
39 It is a very statistically robust survey, it is very
40 defensible in terms of its outcomes and what it produces
41 and for us certainly it would be a relatively simple
42 process to adapt components of that survey to address the
43 council's community strategic plan and four-year delivery
44 program and the funding mechanisms that we would be
45 seeking
46 to put in place to deliver that.
47 Lake Macquarie referred to other consultation

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1 mechanisms. There certainly are and we have developed a
2 community engagement process for the development of the
3 council's 10-year community strategic plan, but our
4 experience in the past of seeking a special rate variation
5 is that even in the simplest of forms, making sure that
6 there's good information and good publications available to
7 the community outlining what it is the council wishes to
8 achieve and the cost of achieving that will more often than
9 not secure community support. Our experience is that
10 people are prepared to pay if they can see where the money
11 will go and of course provided they have the confidence in
12 their council. Thank you.
13

14 MR COX: Could I just ask this? Do you think the results
15 of community surveys of say 600 residents would be
16 sufficiently strong to convince the Minister for Local
17 Government that they have community support for the
18 process?
19

20 MR EVANS: That is a question perhaps better directed to
21 the Minister of the day, but from my own point of view,
22 absolutely. That is a very solid sample for a population
23 of 60,000 to 65,000 people. I am not a statistician, but
24 we've certainly relied heavily on that. We have referred
25 to our community survey. We have only done one in my time,
26 on my watch, but in our last application to the Minister
27 for a special rate variation, and we referred to the
28 expression of confidence in the council that comes through
29 that survey, their overall satisfaction with the
30 performance of the council generally but also in the area
31 of financial management and service delivery and our
32 application was successful. The Minister of the day
33 obviously placed I would think some weighting on the
34 results of that survey in arriving at their decision.
35

36 MR COX: Thank you.
37

38 MR GESLING: Thank you. Peter Gesling, general manager
39 at
40 Port Stephens. I support my colleague's comments to you.
41 Could I just home in on the particular questions there on the
42 screen. Certainly I have no difficulty with Option A as being
43 a step forward. I would support the comment made by
44 David Evans that in the ideal world we wouldn't have rate
45 pegging at all. I don't think it fits the criteria of a mandate
46 and appropriate governance arrangements whereby a
47 community elects a council and the council is there and for
the State Government to determine for some other reason to

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1 cap that way of dealing with the community takes away from
2 the community the arrangements and the contract we have
3 with them for the delivery of services. The community
4 isn't just the ratepayers as people who are consumers. In
5 our case there are a lot of people that visit our area
6 demanding services which we're seeking to provide.
7

8 With regard to Option B, I think the criteria is
9 heading in the right direction. I have no difficulty with
10 them being able to work in practice. I do in terms of the
11 community engagement: that's a big area. In our
12 particular case, we had something like over 80 candidates
13 standing in 17 groups and as the general manager of the
14 council, I would have great difficulty providing any of
15 those candidates with enough information so they could go
16 logically and feel that they are across the top of the
17 issues in presenting the case for the community at election
18 time.
19

20 It is well known and councillors talk very often about
21 the way to get elected is to attack those who have been
22 there and the performance of the previous council and that
23 gets to the cynicism of the community at large. That is a
24 cynical view of the approach used by some and it's
25 sometimes successful, but at the end of the day I'm very
26 often spending the next some months with council giving
27 them the actual situations they can move forward on. In my
28 experience, councils have generally had a totally different
29 view of the way that council is performing to what's needed
30 by the council after they're provided that background.
31

32 That isn't to say that there isn't improvement and
33 that's the democratic process. You have people come in
34 that contribute what they bring to the council and that's
35 the basis of democracy that the community gets. I have
36 great difficulty with that. The engagement process is far
37 more sophisticated these days than the single survey and
38 most councils are engaging in far greater and varied
39 methodology, very much scientifically based and research
40 based, than dealing with pure surveys that will give a
41 result but not necessarily a complete result.
42

43 MR COX: Thank you. Are there further comments that
44 people would like to make?
45

46 (No further response)
47

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1 In that case, I think we will bring the proceedings to
2 a conclusion. We have had a very interesting and
3 worthwhile discussion this morning. It has been very
4 encouraging that you've shared your experiences with us.
5 I think it has been very useful for us.
6

7 Our process now is to produce a final report which we
8 will try to do by the middle of November, so it's really
9 only a couple of months away, but obviously we would be
10 keen to receive submissions from you and as Michael has
11 said, you have the opportunity until Wednesday of next week
12 to get those in to us and we hope that you take advantage
13 of that.
14

15 Thank you very much for your contribution this
16 morning. We have quite a difficult job to take all the
17 input that we've received from these sessions and that we
18 will receive in submissions and work our way to a final
19 report. I am encouraged by the support that you've given
20 us in our endeavours to date and I think our final product
21 will be much better than it otherwise would have been
22 because you've been so generous in your input and your
23 comments this morning. Once again, thank you very much
24 for your participation.
25

26 AT 12 MIDDAY THE TRIBUNAL WAS ADJOURNED
27 ACCORDINGLY
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