



NSROC 2009 ANNUAL CONFERENCE

Speech Notes

Opening Address;
Clr Pat Reilly, President NSROC
Mayor, Willoughby Council



Welcome Members of Parliament, Mayors, councillors, staff and members of the press to this, the fifth NSROC annual conference.

Thank you for attending and for taking the opportunity to represent your councils and communities. Today is about taking the time to discuss matters of regional importance and to continue the process of building regional policy.

I would particularly like to welcome our new councillors from the 2008 elections. We welcome new talent and energy in the region and I encourage you to get to know your fellow NSROC councillors and their issues across the region. I also encourage you to meet our new NSROC Executive Director, Carolynne James

who joined us in June this year. Carolynne has a background in economics and policy and has in both state and local government experience with roles in NSW Cabinet, NSW Parliament and the City of Sydney. We welcome her to NSROC.

With an economy in recession and a State Government in turmoil, it is most appropriate now, that we get together and contemplate exactly what our future will be. As part of this process we will hear from our key speakers who will outline the future as they see it.

Our conference theme is recognition of regional challenges and opportunities in turbulent times.

Our region's challenges are well known to you but not, it seems, well responded to in a coherent manner across governments.

Few people are in doubt that we are in an economic downturn. While each week pundits argue whether we have hit the depths of that downturn or have more to come; it is clear that unemployment is rising and business confidence is low. These facts will shape council responses to their local and regional businesses. Demands on local government community services will also increase from those who find themselves out of work.

The environment remains front of mind in our communities and the challenge for councils is to find sustainable options with complementary environmental and economic outcomes.



Last year in my opening comments I said that the State government finds itself in a state of political crisis - without direction, without leadership, and without hope of re-election. Since then we have had the appointment of Nathan Rees as Premier, yet I see no reason to revise my original assessment.

The State Government continues with imposing conflicting and counterproductive measures which place all councils in a "no - win" situation.

Rate variation decisions released in July reveal the continuing vagaries of the current rates assessment process with some of our member councils successfully gaining a variation and others not. The lack of transparency in these decisions is not new. The Minister's decision rationale remains "black boxed" with unsuccessful councils told that their requests did not have sound business cases. But an explanation of what is a sound business case was not provided.

However, in 2009, the rejection of rate variations in an economic downturn has a further effect - it throws councils into harder circumstances. Without the rate variations, councils face cutting projects and employees. This seems a conflicting direction from a State government committed to infrastructure building and job sustainability.

The decision to cap DA contributions to \$20,000, affecting 3 of our 7 member councils has a similar counter productive effect and again the reason for this decision remains unclear.

While the theory of the planning reforms laid out by the State government had

some appeal, the reality has turned into what we feared - planning centralisation and reduced democratic input from communities. The experience of Planning Panels for some of our NSROC councils to date has been very disappointing and divisive for their communities.

There was little joy in the 2009 State Budget. As many of you know the State Government has announced a \$62 billion infrastructure plan but has only offered NSW Councils a collective \$200 million through its Local Infrastructure fund. This specific fund is tied to strict timelines and must be used for projects that commence by June 2010 and are completed in 18 months. This timeframe is completely unrealistic given the requirements for good project development, consultation and governance imposed on councils and it therefore limits the council's options for seeking funds for any substantial projects.

In all the State Government continues to show little interest in local government and in its role in meeting the needs of NSW residents. Its disinterest in Northern Sydney is palpable.

I find this approach extremely short sighted in today's circumstances.

Let me explain - the NSROC region cannot pretend that it is a disadvantaged community compared with other areas in NSW. With the exception of transport, on most measures our residents are relatively well serviced. Much of the credit for these outcomes goes to the strategic work and self reliance of the local councils in the area. However our councils have long understood that these advantages



don't just benefit Northern Sydney - the prosperity of this region ripples out to other parts of Sydney whose residents work or have their businesses here.

So to ignore Northern Sydney: by starving it of key transport infrastructure and reducing financial autonomy from our local councils, doesn't just impact here but affects all those surrounding regions which we support.

More importantly, precisely because Northern Sydney does "punch above its weight", it will also be a key leader in the economic recovery of Sydney. It is fair to say that a recovery will not be led by disadvantaged areas where original employment and business infrastructure is non-existent.

For these reasons we must brand Northern Sydney as a "*recovery engine*" and give priority to the critical transport infrastructure which is limiting the region's capacity. If not then the State Government's approach will certainly "*kill the goose that lays the golden egg*".

Conversely, the approach to local government at a national level is promising for our region. The Australian Government has identified local government as a key player in driving economic recovery. This recognition is great to see and actioned through the provision of real funds to local government.

In addition to the \$800 million Local Government Community Infrastructure fund announced last year, in June at the LGA Conference in Canberra, the Prime Minister also announced an addition \$245 million of funding.

However, while Federal monies are flowing to local government, the design and roll out of some of the funding schemes are not optimal. In similar style to the State government, the Federal funding requires projects be completed in short periods. This has pressured some councils to do "hit and run" projects rather than focus on projects that are the most critical to their areas. Such arbitrary funding systems can end up distorting Council's strategic priorities which means less benefit for communities in the long term.

A further concern is the recent High Court decision that questions the Commonwealth's power to make direct payments to Councils. The Courts view was that the Federal government should not directly fund areas that are the sole domain of states. Of course this decision further pushes the need for constitutional recognition of local government as a separate institutional entity.

But constitutional recognition is not a symbolic gesture for academic neatness or legal fancy. Constitutional recognition is about institutional and structural certainty. Without a secure and unquestioned right to revenue and existence, local government will find it harder, and more expensive, to gather public or private funds to provide services. As we all know with infrastructure backlogs and increase demands for sustainable services we have to deal with, the last thing councils need is funding and structural uncertainty in today's economy.

However, in contrast to these state and federal responses, I am pleased to say that NSROC member councils do recognise the issues and act together for the benefit of their communities. In your



folders is a showcase of NSROC council projects which share a common feature – they generate benefits beyond individual council borders. What we have highlighted are key projects that enhance services and facilities across the entire NSROC region with each Council talking a lead role in the provision of that resource.

It demonstrates that local governments are able to achieve mutually beneficial arrangements across councils which continue to remain a struggle for state and federal layers.

To help you get a feel of the NSROC region some key statistics have been included in your packs that show how the councils and the region compare against state averages. NSROC itself has seen a change in leadership with Carolynne James filling the place of Dominic Johnson. Dominic's work was much appreciated and he has not strayed too far from the NSROC family - taking up a position with Ryde Council as Group Manager, Environment and Planning, earlier this year.

This afternoon we have a range of speakers around a central theme of opportunities and challenges in the current economic climate.

We will be hearing from Chris Hartcher MP, the Shadow Minister for Intergovernmental Relations, the Shadow Special Minister for State and the Shadow Minister for the Central Coast. Chris was elected to Parliament in 1988 as the Member for Gosford and later the Member for Terrigal. He has held many positions - serving as Government Whip from 1991 to 1992 and then serving as Minister for the Environment from June 1992 - 1995 in the Fahey Government.

Chris has also held a number of positions on the front bench of the Opposition.

Today Chris will be outlining the Opposition's perspective on the future for Local Government and touching on issues in the NSROC region.

We are also hearing from the Chief Executive Officer and Full Time Member of IPART, Mr James Cox. Mr Cox will be outlining the recommendations of the recently released report on rates capping or as it is formally titled – "The Draft Report on the Revenue Framework for Local Government". While rate capping is not off the table, this report proposes some significant changes to current rating arrangements. A copy of the recommendations is included in your conference packs.

Our final speaker is Garry Glazebrook, a transport expert, on sustainable transport options for Sydney. Some of you may remember Garry from last year's conference. Garry will be outlining a new proposal for sustainable transport in Sydney and we hope that this will allow us to update ourselves on the "moveable feast" that is transport planning in Sydney.

This meeting provides a great opportunity to hear your views and we will wrap up with brief discussion and consideration of regional motions which can be taken to the NSW Local Government Conference in October this year.

I hope you are all joining us for dinner and will use that time to get to know your fellow councillors and council staff, a little better.

I welcome you all and now I would ask Chris to come forward.

**Mr Chris Hartcher MP,
Member for Terrigal,
Shadow Minister of State, Shadow
Minister for Intergovernmental Relations
and Shadow Minister for the Central
Coast.**



From the outset, I would like to thank you for your invitation to speak on the topic "Recognising the Regional Opportunities in Turbulent and Challenging Times" and to briefly outline the fundamental principles of the coalition's local government policy.

The coalition perceives local government, quite rightly, as the third tier of government not simply as an adjunct of or an add-on to the NSW government.

A Liberal/Nationals coalition government will work with local government to deliver jobs, quality services, improved infrastructure and better opportunities on a whole-of-state basis. It will re-empower local

government and consequently, will re-empower local communities.

This is a refreshing change from what you've seen over the past 14 years.

You will recall that the government, as part of its budget package, announced that the Department of Local Government would be subsumed into a Planning Super Ministry, with a strong bias towards development.

You can only imagine the finger pointing, name calling and irate telephone calls from Sussex Street, which this decision must have caused.

Without its usual phalanx of spin doctors, the government has made an 11th hour decision to overturn its earlier plans and has quietly announced that the Department of Local Government will now totally lose its identity within the Department of Premier and Cabinet Super Ministry, along with a glad bag of another 11 ministries.

Coalition policy remains unchanged. A coalition government will establish a Ministry for Inter-Governmental Relations, where local government is of critical importance.

This ministry will be responsible for the NSW government's relationship with the federal government and with local government, in equal measure. It will also deliver the policies that will ensure the state views the other two levels of government as partners in service delivery, governance, problem solving and putting the people of NSW first and putting NSW back on track.

These are, undoubtedly, turbulent and challenging times for local government.



Fiscal Star Report

The 2009 Fiscal Star Report on NSW Council Financial Sustainability, based on councils' 2007-2008 financial statements, revealed that the top 99 councils in NSW included 37 with unsustainable financial and infrastructure policies and a further 16, which were vulnerable and on the verge of being unsustainable.

I realise that a couple of your member councils have been identified in the report as financially unsustainable or vulnerable.

This report doesn't consider the impact of the global financial crisis nor does it include those councils, which are outside the top 99 ranking.

The report indicated that, in order to regain financial sustainability, financially unsustainable councils would need to raise their rates income by at 80% over the next 10 years when NSW has a rate pegging regime and the rate of annual increase is currently pegged at 3.5% and/or dramatically cut their services and cause severe social and economic disruption to their local communities

Clearly they are not palatable options.

Since the initial Fiscal Star report three years ago, there have been 3 ministers and many promises, but no action, apart from the current IPART review of rate pegging. This inactivity has done nothing to resolve councils' financial problems and everything to expedite their deterioration.

The coalition regards resolution of the problem of financially unsustainable councils as vital to the continued success of local government in NSW.

Cost Shifting and Rate Pegging

Cost shifting, not only remains unabated, but is actually gaining momentum. The latest figures from the NSW Local Government and Shires Association indicate that annual impact of cost shifting on local government, in 2006-2007, was \$412 million.

The closure of police stations, including those in Berowra and Brooklyn, has been added to the litany of services shifted to local government, without the necessary funding or the conferral of matching revenue-raising capacity.

One only has to read the Fiscal Star Report to see the dramatic impact of rate pegging on NSW councils, especially when it operates in concert with a cap on developer levies and cost shifting. .

Local Government Funding

At a time when substantial funding is desperately needed by local government, the best the NSW government can come up with is a token \$200 million from the Local Infrastructure Fund. It's important to note that these are loan funds and not grant funds

We're worried that some of this \$200 million is being sourced from Section 94 levies for growth centres, but can't get a straight answer from the Treasurer.

Even the \$35 million NSW Community Building Partnership discriminates against



councils as it requires them, unlike other participants in the program, to match the funds contributed by the NSW government. This discrimination acts as a real disincentive for councils to apply for funding.

I was alarmed when the Minister for Local Government stated that the Local Government Amendment (Planning and Reporting) Bill represents the biggest reform in local government in the past 16 years.

There is no doubt that the bill establishes an excellent system to assist councils' long term planning, incorporating financial modelling and the ability to test councils' long term financial goals against their financial realities. It will also play an important role in rate pegging decisions. However it does nothing to provide badly needed state government funding for local government nor does it highlight where the missing funds can be obtained.

Unlike the government, coalition policy incorporates a co-operative 10 year plan, which will establish long-term co-operative goals for the future by establishing the roles and responsibilities of each level of government. This long term operational strategy will be accompanied by a long term funding strategy. It's no use pretending that we can plan for the future without knowing how we are going to pay for it.

Planning Powers

Labor's hostile attitude to local government in this state is best illustrated by its takeover of planning powers. .

Part 3A of the Environmental Planning and Assessment Act was introduced

based on the pretence of providing planning powers for the delivery of state significant or critical infrastructure. Whilst it was supposedly intended to speed up the delivery of critical infrastructure, Part 3A simply became the device to subvert local planning processes.

A coalition government will repeal Part 3A and implement a full and open review of the planning legislation designed to re-empower local communities by returning planning powers to their local councils.

The objective of the coalition is to provide local decision making in an open and transparent planning system, which limits the opportunity for political interference and restores honesty and accountability.

Local Government Investments and Borrowings

Local government investments and borrowings also illustrate the turbulent and challenging times, which face local government. I would be happy to answer any of your questions regarding this issue later.

You will all recall the debacle resulting from councils' investments in Collateral Debt Obligations (CDO's), at a time when Treasury had advised government agencies not to make similar investments but failed to mention this decision to local government.

Now rather than the government accepting responsibility for these losses, councils, which have sustained losses, are being held to ridicule.

A coalition government will prevent problems like this from recurring by



ensuring that both levels of government are on the same page concerning their investment strategies.

Councils' financial sustainability has also been adversely impacted by the loss of investment income due to the declining returns from cash management and other investments.

On the other side of the coin, the NSW government has removed the cap on interest rates at which councils can borrow.

In the past councils could not borrow at interest rates, which were greater than those set by TCorp.

Now local government could be at the mercy of the free market lenders because councils are no longer able to rely on regulated borrowings.

Local Government De-corporatisation

Not all local government turbulence has a financial flavour.

As you are all aware, last year's Local Government Amendment (Legal Status) Act introduced the term "body politic" to local government to replace councils' corporate nature. This term is one, which is shrouded in confusion.

I've never received a satisfactory explanation for the need for this change.

It's a rather chilling thought that the United Services Union has such power over the NSW government that it can compel the government to amend legislation and re-invent a form of corporate status, which hasn't seen the

light of day since the time of the Reformation.

This bizarre change was caused by a perceived need, by the union, to prevent local government coming under the Federal Industrial Relations umbrella.

Regional Opportunities

As necessity is the mother of invention, so is adversity the mother of opportunity.

Without question, the current turbulent and challenging times create regional opportunities for local government. Right now there is a significant regional opportunity relating to Commonwealth government policies.

For too long, local government has had to rely on direct federal government grants, with little or no financial assistance from the state government. Now federal funding for local government is firmly under the spotlight.

The recent High Court decision in *Pape v The Commissioner of Taxation* has cast grave doubt on the ability of the Commonwealth to make direct payments to local government and on the validity of past payments.

According to constitutional law expert, Professor George Williams, the federal government will now require the co-operation of the states to be able to continue to make these payments. Special concurrent federal and state legislation may be required to retrospectively validate past spending in order to avoid the money having to be repaid to the federal government. Resolution of this issue is critical for the future of local government in NSW.



There is an opportunity for NSROC to lobby its federal parliamentary representatives on this matter because prompt action is needed to avert a financial disaster for councils.

There are also regular opportunities for NSROC to lobby government on issues affecting local government generally or the region, specifically.

I note that North Sydney, Willoughby and Hornsby each made their own submissions to the IPART Review of the Revenue Framework for Local Government.

One of the measures identified by the Fiscal Star report, required to make NSW local government financially sustainable, was for councils to improve their operating efficiencies.

Coalition local government policy encourages councils to continue to form and extend their regional activities and to share their resources in order to achieve economies of scale, a reduction in their operating costs, share knowledge and experiences, address skill shortages and jointly undertake problem solving.

The benefits of this policy were identified in the department's 2007 "Collaboration and Partnerships: A Guidance Paper" and included:-

- cost reductions
- cost avoidance
- achievement of policy objectives
- increased availability of services
- existing service enhancements
- improved productivity
- improved skills

NSROC is one of the leaders in the area of local government strategic alliances and resource sharing.

One can only be impressed with NSROC's achievements in the following areas:-

- waste management
- environment
- planning
- transport
- regional purchasing program
- human resources

The current economic environment, coupled with a rate pegging, capped developer levies and cost shifting regime, requires councils to achieve efficiencies and cost savings just to tread water.

In these turbulent and challenging times, there is a real opportunity for other councils to replicate your efforts on a regional basis.

Further resource sharing, which could be considered on a regional basis, includes:-

- conducting staff training courses on a regional basis
- group purchasing of specialised plant including motor vehicles
- creation of an Information Technology group
- a regional contract for temporary staff and recruitment advertising
- shared library services
- sports field management
- occupational health and safety issues
- employment of specialised staff

There may be an opportunity for councils' communications and the role of an Internal Ombudsman to be

handled by a regional team. I note that Ku-ring-gai Council already employs an Internal Ombudsman. These changes could generate efficiencies and considerable savings.

Without question, the time is ripe for regional organisations of councils to make a major contribution to the well being of local government and local communities across the state.

Thank you again for inviting me to address you today. I would like to wish you every success with your annual conference.

**Mr James Cox,
CEO and Full Time Member for IPART**



IPART's Review of the Revenue Framework for Local government:

Introduction

IPART has been working on its review of the revenue framework for local government for about a year. The terms of reference for the review require IPART to review and make recommendations on:

- o An appropriate inter-governmental and regulatory framework for the setting of rates and certain charges that facilitates the effective and efficient provision of local government services in NSW;
- o A role for IPART in setting local government rates and certain charges in future years;
- o A framework for setting charges by certain public authorities to enable these authorities to recover costs for the provision of services that are normally provided by local government.

During the year we released an issues paper and have received 65 submissions from local government, interest groups and members of the public in response to it. We have held workshops in Sydney and number of regional centres to discuss the key issues that were raised in submissions. In addition, we have undertaken 11 case studies of councils throughout NSW to understand in detail the issues that they face and how they are addressing them.

IPART recently presented its draft report to the Minister for Local Government and released it to the public. At the same time we released an Information Paper detailing our comparative analysis of revenue and expenditure with other states. We now seek comment from the councils and the community on the proposals set out in the report. As well as speaking to you today, IPART will be conducting a number of public workshops to obtain feedback. Public submissions are due by 18 September. IPART expects to provide its final report to the Minister in November.



This conference is timely as it gives me an opportunity to discuss with you some of the main issues that we faced and the key recommendations from the draft report.

IPART has made 45 recommendations in its draft report in relation to its proposed framework and its implementation. In relation to rate pegging arrangements, IPART has put forward two options for further consideration. I would like to discuss these options in greater detail. First I will outline some of the main issues that we have faced during the review to date.

The Main Issues

Once we started working on the revenue framework for local government it quickly became apparent that the main issue that needed to be considered was the future of rate pegging.

The majority of submissions made to IPART's review were from councils. While most, but not all, of these submissions argued that rate pegging should end, others — including some councils — suggested that rate pegging should continue. This latter group of councils argued that rate pegging protects rate payers from excessive increases in rate bills. They suggested that, if rate pegging is retained, much could be done to make the process of rate pegging more transparent and independent of political involvement and to encourage a longer term perspective.

There are two main types of argument against rate pegging that have been made in the submissions. The first type are essentially factual arguments about the consequences of rate pegging for rates revenue, the level and composition of councils' total revenue,

operating positions and debt, and infrastructure provision.

These arguments are capable of an empirical assessment. IPART has attempted to provide such an assessment and the results of IPART's analysis are summarised in the next section of this talk.

The second type of arguments concern the desirable ends of public policy. Many councils and commentators emphasise the accountability of councils to their communities. From this perspective, they argue that rate pegging gets in the way by diluting accountability. Local government should be responsible to the community not the NSW government.

The alternative view is that rate pegging protects rate payers and that this is a desirable objective for public policy. Ratepayers, it is argued, require protection from unreasonable rate increases for reasons similar to the ones that lead to the regulation of the prices of monopoly infrastructure, such as Sydney Water's. In my experience, this view of the matter is frequently held by members of both the Government and Opposition parties in the NSW Parliament and staff of the NSW Department of Local Government.

It is interesting that those who emphasise one objective tend to dismiss the importance of the other. Those who wish to argue that councils should be accountable to the whole local community tend not to place much emphasis on the protection of ratepayers. They may argue, for example, that ratepayer resistance to higher rates, or competition between local authorities to provide the right combination of services and rates to



attract residents and industry, will limit excessively high rate increases. By contrast, those who argue that ratepayers need protection tend to be sceptical about the effectiveness of consultation and electoral processes in local government.

However, I would prefer to argue that both the accountability of local government and the protection of ratepayers are in practice policy objectives that are important to the NSW community. There is a difficulty here because the two objectives compete with each other to some extent – more protection for rate payers can mean less accountability to the local community (as opposed to the NSW Government). In practice some compromise between the competing but desirable objectives must be found. Although the need to compromise may seem unsatisfactory to those who strongly support local government autonomy or ratepayer protection, it is not unusual in public policy. Recognition of the need to compromise may encourage the development of improved, but realistic, alternatives to the present arrangements in NSW.

The Consequences of Rate Pegging

As we have seen, the supporters of rate pegging argue that it tends to limit rate increases. It also encourages the use of alternative revenue sources such as user charges. User charges for services may be preferable to taxation measures such as rates because purchasers have some ability to control how much of the relevant service they wish to purchase. The amount paid in charges is clearly linked to the quantity of the service that is purchased and hence to the benefit that the purchaser receives from the service.

The opponents of rate pegging argue that it limits the revenues of local councils below the desirable level, leads them to be financially unsustainable and results in backlogs of infrastructure renewals and maintenance.

It is of interest to test these claims against the available evidence. IPART has reviewed this evidence in the Information Paper that was released with the draft report. Two main types of evidence are available. The first is time series data showing developments in local government finances since the introduction of rate pegging in 1977. The second source of data is comparisons between New South Wales and other States that do not have rate pegging. Here the time series provided by ABS Government Finance Statistics have proved to be particularly useful. It has been necessary, however, to adjust the data to take account of the different functions of councils in the different States.

After examining the link between rate pegging and its impact on council finances,

IPART found that:

- rate pegging has limited the growth of rate revenue of councils in NSW
- possibly in response to rate pegging, there have been significant changes in the composition of councils' total revenues with increased revenue from user pays sources
- total revenue per capita of councils in NSW has grown more than NSW Gross State Product over the period from 1976/77 to 2006/07

- o except for the last 10 years total council revenue per capita in NSW has grown in line with other states since rate pegging commenced in 1977
- o councils in NSW have generated larger surpluses and have tended to accumulate less debt (on a per capita basis) than councils in most other states
- o capital expenditure by NSW councils on new infrastructure assets is lower and has grown more slowly than that of councils in other states
- o in contrast, operating expenditure has grown more rapidly in councils in NSW relative to other states; and
- o just over half the councils have increased rates by more than the rate peg amount over the last ten years, but many have increased rates by less than the rate peg amount.

I think that the following conclusions can be drawn based on this analysis. Rate pegging acts as a constraint on taxation revenues but overall revenue growth for NSW councils has not been much below revenue growth for other Australian councils. Growth in operating expenditure has been relatively strong and there is evidence that NSW councils are spending less on new infrastructure assets than other councils. They are not using debt anywhere near as much as other states nor as much as would be optimal from the point of view of inter-generational equity.

A number of other factors contribute to a council's performance regarding infrastructure provision. These include economic growth, council policies, and the council's asset management

approach, the level of grants, subsidies and developer contributions they receive and the demand on their revenue from asset maintenance. IPART's findings suggest that there may be scope for NSW councils to increase spending on infrastructure. One option to achieve this could be through increased borrowing.

The evidence that we have reviewed suggests that rate pegging has not had a substantial adverse effect on the finances of NSW councils. Revenue from user charges has been substituted for revenue from taxation and subsidies. This may have been desirable on balance. However, it may be harder to achieve further increases in the proportion of revenue raised from user charges, for example due to the impact this has on low income sectors of the community. Developers, for example, are now arguing that the contributions they make to councils are excessive and the NSW government has acted to limit both state and local government developer charges.

It might be argued that rate pegging, by adding to uncertainty about council's future income, may have encouraged them not to take on debt. However, there are reasons other than rate pegging for councils to be reluctant to take on debt. Councils in states other than NSW have also built net creditor positions.

There probably is a backlog of council assets that require additional maintenance and renewal expenditure. However, this is also true of states other than NSW and the evidence suggests that it is no worse in NSW than elsewhere.

Perhaps because the financial arguments are ultimately not decisive, the debate about rate pegging has

centred around the arguments concerning protection of ratepayers and accountability to local communities that I noted at the start of this talk. This is, as I argued, an issue of conflict of objectives. It may be that this issue will ultimately be resolved by continuing rate pegging, which has a long history in NSW, in some form. If so, there is much that could be done to improve the situation.

In particular, some of the improvements in the pricing of public utilities that have occurred in recent years could usefully be applied to rate pegging.

IPART's proposed framework

In developing an alternative revenue framework, we have sought to retain the desirable features of rate pegging. At the same time we have suggested ways in which the efficiency and effectiveness of rate pegging can be improved and transparency and accountability concerns can be addressed.

In doing so, we consider that much can be done to improve the current framework.

In particular, some of the elements in the pricing frameworks now used for regulated utilities could usefully be applied to the local government rate revenue framework.

These include:

- o adopting a multi-year approach to revenue raising;
- o adopting a more independent, rigorous and transparent approach to rate setting;
- o linking the revenue framework to councils' strategic planning processes to link revenue, capital and operating expenditure plans for a number of years into the future;

- o the use of an explicit and independently calculated input price index to link revenue requirements with movements in costs from year to year; and
- o the use of a productivity adjustment factor to encourage efficiency gains.

IPART recognises that local government is directly accountable to the community in a way that regulated utilities are not. In developing our thinking we have drawn on the NSW Government's Integrated Planning and Reporting Framework.

IPART's draft recommendations would, if implemented by the Government, make the process for setting rates more transparent and more objective, while still continuing to protect rate payers from excessive rate increases.

As I mentioned earlier, IPART has put forward two options for discussion. While the first - Option A - can operate on its own, Option B would work alongside Option A.

The proposed system, would allow regulated annual rate increases and multi-year revenue paths to operate together.

A key element of the regime is the Local Government Cost Index. IPART would calculate and publish an index for each year, commencing in 2010-11. The index would reflect annual changes in councils' average costs and productivity levels.

Option A

Option A retains a system of rate capping that applies across all councils, but would provide more predictable outcomes and a better basis for assessing councils' costs than the existing system. It would complement the Government's recently announced

Integrated Planning and Reporting Framework and thus strengthen medium term financial planning.

Option A would be the minimum or default option for all councils under the framework. It maintains the essential ratepayer protection elements of the current system while improving the rigour, transparency and independence of the rate setting process. It does this by introducing:

- o a local government cost index (adjusted for productivity)
- o a new, multi-year medium term rate path.

The processes for setting the rate cap and approving variations will be more understandable and predictable than at present. Those councils that do not want to move beyond the regulated annual rate increase can remain under the rate cap while other councils can apply to the Minister to have multi-year price paths approved.

This would allow councils that wish to do so the opportunity to develop a medium term strategy for rate setting, rather than focusing on annual increases.

Under this approach:

- o each year, IPART would calculate and advise the Minister of the percentage change in a local government cost index, after an adjustment for productivity;
- o the Minister would then determine the increase in rates by setting the rate peg amount each year after having regard to changes in the Local Government Cost Index; and
- o there would be a new process for the Minister to determine rates over a number of years to replace the existing special variation process.

Councils that comply with the Integrated Planning and Reporting Framework will also be able, under Option A, to apply to the Minister for a rate path over four years, which might exceed the rate peg. There would be a clear statement of the factors that the Minister would consider in deciding whether or not to approve applications for a medium term revenue path. Option A has been designed to focus on a medium term revenue path and improved links between rate setting and strategic planning.

The two elements of Option A – regulated annual rate increases and multi-year revenue paths - would operate together. Councils that wish to do so would be able to use the annual rate increases that are determined by the Minister. Councils that are not successful in their requests for a medium term revenue path would revert to the regulated annual rate increase for that year. Only in unusual circumstances would councils be able to apply for a multi-year price path more than once in a four year period. These arrangements are designed to balance both flexibility for councils and certainty of outcomes for ratepayers.

Option B

Under Option B councils that can demonstrate good financial performance and community endorsement of their fiscal strategy would be given the opportunity to be exempted from rate pegging for up to four years.

Option B would operate alongside Option A, but is intended to make councils more democratically accountable to their communities. Option B provides greater council flexibility, but with higher standards of accountability. Under this option some



councils would be able to determine the annual rate increase over a four year period.

However, councils would need to earn their autonomy by demonstrating a track record of sound financial management and a community mandate for the council's proposed medium term revenue plan.

Councils would become eligible for Option B by demonstrating:

- o a track record of sound financial management;
- o that they have developed a medium term approach to revenue, expenditure and service delivery plans; and
- o that they have obtained a community mandate for the council's proposed medium term approach.

There would need to be clear guidelines on what councils need to do to demonstrate community support. For example, where councils rely upon community surveys,

IPART proposes that at least 25-30 per cent of ratepayers would have to participate in the survey and 50-60 per cent would need to support the council's proposal for community support to be demonstrated.

Alternatively, where a four year financial plan was adequately debated in the run-up to a council election, and supported by the incoming council, this would demonstrate a mandate from the community for that plan.

Roles

The proposed framework envisages clear roles for the Minister for Local Government, the Department of Local Government and IPART.

IPART would establish, maintain and publish a cost index, the Local Government

Cost Index. Changes in the index would reflect the changes in the average costs experienced by councils and a productivity adjustment.

IPART would calculate and publish annual changes in this index. We would then make a recommendation to the Minister regarding the amount that rates should increase in the following year.

The Minister would determine the annual rate of increase in rates after taking account of IPART's recommendations. However, the Minister would provide reasons explaining why he or she has decided on an increase which is either more or less than IPART's recommendation.

The Minister would be responsible for approving or rejecting any requests submitted by councils under Option A for medium term revenue paths. Clear criteria would be developed for the assessment of submissions.

The Minister would also be responsible for determining each council's eligibility to move to Option B. This would involve councils:

- o demonstrating to the Minister that they meet financial performance, planning and reporting requirements; and
- o demonstrating to the Minister that they have a mandate from the community for proposed revenue and expenditure plans.

The Department of Local Government would monitor compliance with the regulated annual rate increase under Option A as well as compliance with the

all performance and accountability criteria required under Options A and B.

Timetable for implementing the framework

IPART has recommended that the framework should be introduced over a number of years:

- The proposed methodology under Option A for annual rate increases to be based on the changes in the local government cost index should come into effect for the financial year 2010/11;
- The proposed medium term revenue path under Options A and B should come into effect following the conclusion of the 2011/12 financial year, prior to council elections;
- IPART should commence a survey of councils' costs during 2009/10 to determine the weightings for the cost index model to apply from 2010/11;
- Councils with existing special variation applications or approvals may continue to implement these beyond the starting point for the new framework; and
- During 2010/11 and 2011/12 the cost index would inform the annual rate capping process and would operate in conjunction with the annual special variation system. Following the conclusion of the 2011/12 financial year, the current special variation system will be abolished and would be replaced by the medium term revenue path outlined under Options A and B of the proposed framework.

Garry Glazebrook UTS Sustainable Transport for Sydney



Gave a detailed power point presentation of Sustainable Transport for Sydney.

Refer to Report go to website:

www.dab.uts.edu.au/research/outcomes

Presentation available on the NSROC Website www.nsroc.org





**MOTIONS FOR CONSIDERATION AT
NSROC CONFERENCE
AND
UNANIMOUSLY ADOPTED AT THE
CONFERENCE**

exceeding \$50 million and in circumstances where it is demonstrated that the council does not have the resources to assess and determine the application.

**MOTION 1:
Hornsby Council**

Subject: Joint Regional Planning Panels

That the Local Government Association write to the Minister for Planning requesting that she:

- *Abolish Joint Regional Planning Panels*

Or, if Panels are not to be abolished;

- *The following changes to the operation of Joint Regional Planning Panels be made:*
 - a. *The NSW Government guarantees the whole of the cost of the Panels, including but not limited to:*
 - i. *wages for local members;*
 - ii. *additional studies required to be prepared by councils to give assistance in decision making;*
 - iii. *councils costs to defend decisions in the Court;*
 - iv. *administration, travel and hospitality.*
 - b. *The Panel must not determine a planning application prior to obtaining through a resolution of the relevant council(s), the council's opinion in respect of the application;*
 - c. *The Panel only consider applications that have a value*

**MOTION 2:
Ryde Council**

Subject : Joint Regional Planning Panels

That this conference express its dissatisfaction with the State Government on the establishment of Regional Planning Panels in NSW and the removal of planning decisions away from the elected Council.

**MOTION 3:
Willoughby Council**

Subject: North Shore Hospital Redevelopment

That NSROC support :

- a) *The provision of new rehabilitation facilities, including a hydrotherapy pool to be provided on the redeveloped RNSH site.*
- b) *Retention of the Hercules Street Community health care facilities, with particular regard to non-acute mental health on the Chatswood site, including a permanently based, funded and staffed drop in centre and counselling service.*
- c) *Opposition to the outright sale of any public land on the existing RNSH site unless it has been demonstrated that all other options have been fully explored and that such a sale can be*

show to provide local as well as general long term public interest benefits. The site should be retained for the long term future needs for public facilities and services in the northern Sydney region.

**MOTION 4:
Ryde Council**

Subject : NSW Housing Codes

That the Local Government Association pursue a consultative dialogue with the State Government prior to the release of further elements of the New South Wales Housing Codes to ensure a greater take-up rate and fewer technical problems with implementation.

**MOTION 5:
Hornsby Council**

Subject: F3/ M2 Link

That the Local Government Association make further urgent representations to the State Government stressing the need for a financial commitment to planning for the construction of this much needed F3/M2 link at the earliest possible time.

**MOTION 6
Hunter's Hill Council**

Subject: Construction of Integrated Rail Infrastructure

1. That the Northern Sydney Regional Organisation of Councils (NSROC) calls on the NSW State

Government to commence construction of integrated rail infrastructure projects that will benefit the broader community of Metropolitan Sydney and the Sydney Basin immediately, as these projects have been planned, cost estimates provided, environmental studies completed and land acquisition either completed or substantially commenced, to the point that they are 'shovel-ready' projects.

These projects are:

- (a) Epping to Parramatta Rail Link (The Chatswood to Parramatta Link)
- (b) Epping to Rouse Hill Rail Link (The Northwest Rail Link)
- (c) Glenfield to Leppington Rail Link (The Southwest Rail Link)

2. That the Northern Sydney Regional Organisation of Councils (NSROC) calls on the NSW State Government to:

- (a) Defer any further work of any nature on the Sydney CBD Metro until such time as a proper feasibility study has been undertaken on the proposal, its purpose, its priority and how it fits as a part of the integrated rail infrastructure network.
- (b) Re-allocate all funding provided for the Sydney CBD Metro to the 'shovel-ready' integrated rail infrastructure projects.
- (c) Submit the 'shovel-ready' rail infrastructure projects to the Federal Government for consideration of funding

- under the Infrastructure Australia program.
- (d) Participate and provide funding for a feasibility study in conjunction with Sydney City Council, Leichhardt Council, Marrickville Council and Ashfield Council, on the extension of the existing light rail system from Central Station to Circular Quay and from Central Station to Dulwich Hill.

Infrastructure Fund as an on going program, in providing interest free loans to Local Government for infrastructure projects.

**MOTION 7:
Hunter's Hill Council**

Subject: Illegal Advertising on Moveable Structures eg Box Trailers or Similar Structure

That the Northern Sydney Regional Organisation of Councils (NSROC) calls on the NSW State Government to prohibit all forms of mobile advertising on moveable structures e.g. box trailers or similar structures, parked or placed on roads or public land.

**MOTION 8
Ryde Council**

Subject : Local Infrastructure Fund

- (1) That this Conference acknowledge and thank the NSW Government for its recent announcement of the \$200 million Local Infrastructure Fund which provides Councils with interest free loans for infrastructure projects;
- (2) That the State Government be requested to continue the Local

**MOTION 9
Ku-ring-gai Council**

Subject: State contributions to recycling initiatives

That NSROC lobby the State Government to increase state-wide recycling initiatives/cost contribution to help Councils with initiatives like recycling e-waste, mobile phones, x-rays and light globes.

**MOTION 10:
Hornsby Council**

Subject: National Packaging Covenant and Extended Producer Responsibility

That the Local Government Association (LGA):

1. Continue to press the NSW Government to pursue strengthening the National Packaging Covenant with the Federal Government to reduce packaging in the waste stream and decrease litter in the environment.
2. Call on the NSW State Government to work towards enforcing its Extender Producer Responsibility (EPR) Scheme for the "wastes of concern" to ensure the established voluntary targets are met in a timely fashion.



3. Support further investigation into the development of a State Container Deposit (CD) Scheme as a means to increase recycling and reduce littering in the environment. Support for a CD system should be progressed as a means to implement EPR and speed up the current voluntary waste reduction rates.

**MOTION 11:
Ku-ring-gai Council**

Subject: Increase of sustainability measures for development

That NSROC lobby the NSW Government to increase the sustainability measures allowed in unit development under the BASIX SEPP and sustainability measures be mandated for commercial and retail development so that our town centres will have plenty of sustainability measures in place.

**MOTION 12:
Ryde Council**

Subject: Climate Change Adaptation Plans

That the Local Government Association seek the NSW State Government to allocate the necessary resources and funding in supporting Local Government and relevant Regional Organisations of Council's in developing either Community Strategic Plan and community accepted climate change adaptation plans throughout NSW.

**MOTION 13:
Willoughby Council**

Subject: Water Re-use Pipeline in Northside Storage Tunnel

That:

1. the Northern Sydney Regional Organisation of Councils (NSROC) write to the Premier, the Minister for Climate Change and the Environment and Sydney Water to expressing extreme disappointment that the water re-use pipeline installed in the Northside Stormwater Storage Tunnel has never been used and that due to deterioration it will not be used.
2. NSROC urge the Government to consider the alternative methods available to repair such infrastructure which should be investigated and progressed for a more satisfactory outcome.

**MOTION 14:
Willoughby Council**

Subject: Protection of Peri Urban Farming in the Sydney Basin

That the LGA and NSROC urge the State Government to recognise and take urgent action to protect peri urban farming and agriculture in the Sydney Basin.



**MOTION 15:
Ryde Council**

**Subject : Attraction and Retention
Working Party**

That the Local Government Association, in support of NSW Councils' workforce planning initiatives, approach the Department of Local Government to establish an industry working party focused on strategies to attract and retain suitably qualified and experienced staff within NSW Local Government.

**MOTION 16:
Ryde Council**

Subject : Women in Local Government

That in support of the Local Government Managers Association (LGMA) declaring 2010 as the year of Women in Local Government, the Local Government Association be requested to provide support and work with all member Councils in developing initiatives to support women in the Local Government sector, either as employees or as elected Councillors.

**MOTION 17:
Ryde Council**

Subject : Parental Leave Provisions

That conference notes the historic and unanimous decision of the Broken Hill 2008 Local Government Association conference which was; "That Conference support the provision of 18 weeks paid maternity leave and two

weeks paid paternity leave, as a standard condition for all NSW Local Government employees". That, consistent with this 2008 LGA Conference decision, Conference directs the LGSA to include these increased parental leave provisions as a standard condition in the renegotiation of the Local Government Award for all NSW Local Government employees without caveat

**MOTION 18:
Ryde Council**

**Subject : Bulk Purchase Arrangements –
Utility Services**

That the Local Government Association, through its procurement arm of Local Government Procurement, investigate and arrange the most competitive bulk purchase arrangements for Local Government, in respect of all utility services that include electricity, gas and water.

**MOTION 19:
NSROC**

**Subject : Local Government
Superannuation Scheme**

NSROC submit a motion to the Local Government Association Conference – seeking all nominations for appointments or reappointments to the LGSS Board be filled on a merit basis in accordance with APRA Guidelines – Fit and Proper Standards.

Speaker Biographies:



**Mr Chris Hartcher MP,
Member for Terrigal,
Shadow Minister of State,
Shadow Minister for
Intergovernmental
Relations and Shadow**

Minister for the Central Coast.

First elected in 1988 as the Member for Gosford to the NSW Parliament, Chris has held many positions - serving as Government Whip from 1991 to 1992 and then serving as Minister for the Environment from June 1992 - 1995 in the Fahey Government.

Chris has held a number of positions on the front bench of the Opposition - he has been Deputy Leader of the Opposition from 2002 - 2003, Shadow Attorney General, Shadow Minister for Planning, Shadow Minister for Industrial Relations and Shadow Minister for Ports.

After the electoral redistribution in 2006, Chris stood for the new seat of Terrigal at the March 2007 NSW State Election



**Mr James Cox,
CEO and Full Time
Member for IPART**

Chief Executive Officer and Full Time Member of Independent Pricing and Regulatory Tribunal (IPART)
Mr James Cox BSc (Econ) (Hons), MA (Econ)

- Appointed for five years from 22 February 1996. Reappointed for

an additional five year term from 22 February 2001.

- Reappointed for an additional five-year term from 22 February 2006.
- Former Principal Adviser, Government Pricing Tribunal/IPART,
- 1992–96. Consultant, NSW Cabinet Office, 1989–92.
- Principal Economist, Office of EPAC, 1986–89.

**Dr Garry Glazebrook, UTS
Sustainable Transport for Sydney**



Garry has over 14 years' experience in consulting and 15 years in government and currently teaches in urban planning at the University of Technology, Sydney. His qualifications include a PhD and masters degrees in Urban Planning and Operations Research, and he has published widely in the fields of transport and planning.

Garry is a member of the Planning Institute of Australia, the International Union of Public Transport, and the Association for the Study of Peak Oil. He has a particular interest in how to make our cities more sustainable.

ATTENDEES

Hornsby	Clr Nick Berman	Ryde	Clr Terry Perram
Hornsby	Clr Wendy McMurdo	Ryde	Clr Roy Maggio
Hornsby	Clr Robert Browne	Ryde	Clr Ivan Petch
Hornsby	Mr Max Woodward	Ryde	Clr Vic Tagg
Hornsby	Mr Robert Stephens	Ryde	Clr Bill Pickering
		Ryde	Clr Sarkis Yedelian
Hunter's Hill	Clr Susan Hoopmann	Ryde	Mr Michael Whittaker
Hunter's Hill	Clr Richard Quinn	Ryde	Ms Maxine Kenyon
Hunter's Hill	Clr Ross Sheerin		
Hunter's Hill	Mr Barry Smith	Willoughby	Clr Pat Reilly
Hunter's Hill	Mr David Innes	Willoughby	Clr Kate Lamb
Hunter's Hill	Ms Debra McFadyen	Willoughby	Clr Robert Wilson
Hunter's Hill	Ms Barbara Hogan	Willoughby	Clr Wendy Norton
		Willoughby	Clr Barry Thompson
Ku-ring-gai	Clr Ian Cross	Willoughby	Mr Nick Tobin
Ku-ring-gai	Clr Tony Hall	Willoughby	Mr Steven Head
Ku-ring-gai	Mr John McKee	Willoughby	Mr Tony Pizzuto
Ku-ring-gai	Mr Joseph Piccoli		
		Member for Davidson	Mr J O'Dea MP
Lane Cove	Clr Ian Longbottom		
Lane Cove	Clr Pam Palmer	Member for Lane Cove	Mr A Roberts MP
Lane Cove	Clr Shauna Forrest		
Lane Cove	Clr Win Gaffney	Member for Ryde	Mr V.M. Dominello MP
Lane Cove	Clr Rod Tudge		
Lane Cove	Clr David Brooks-Horn	Member for Berowra	Mr Phillip Ruddock MP
Lane Cove	Mr Peter Brown		
Lane Cove	Ms Jane Gornall		
Lane Cove	Mr Michael Mason		
Lane Cove	Mr Wayne Rylands		
Lane Cove	Mr Craig Wrightson		
		NSROC	Ms Carolynne James
		NSROC	Ms Lesley Ridley
North Sydney	Clr Jillian Christie		
North Sydney	Clr Michel Reymond		
North Sydney	Clr Stephen Barbour		
North Sydney	Clr Andrew Robjohns		
North Sydney	Clr Veronique Marchandean		
North Sydney	Ms Penny Holloway		
North Sydney	Ms Jenny Gleeson		
North Sydney	Mr Ross McCreanor		



APOLOGIES

State MPs	
Member for Ku-ring-gai	Mr Barry O'Farrell
Member for North Shore	Mrs Jillian Skinner
Member for Willoughby	Mrs Gladys Berejiklian
Member for Hornsby	Mrs Judy Hopwood
Member for Epping	Mr G Smith
Member for Baulkham Hills	Mr W Merton
Member for Wakehurst	Mr B Hazzard
Member for Pittwater	Mr R Stokes
Federal MPs	
Member for Bennelong	Mrs Maxine McKew
Member for Bradfield	Dr Brendan Nelson
Member for North Sydney	Mr Joe Hockey
Councillors & Staff	
Mayor Ku-ring-gai	Clr Elaine Malicki
Mayor North Sydney	Clr Genia McCaffery
Lane Cove Council	Clr Ann Smith
Hornsby Council	Clr Dilip Chopra
Hornsby Council	Mr Robert Ball, General Manager