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15 February 2008

Gosford City Council

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Dear Sir/Madam

I refer to the Commission's research study presently taking place to examine the capacity of Local Government to raise revenue and welcome the opportunity to make a submission.

Council wishes to register some issues in relation to rates and rate-pegging, the impact of development and developer contributions, the distribution of the Financial Assistance Grant, and fees and charges in general.

Rates and Rate-Pegging

Council has some concerns with the Rate-Pegging system currently employed in NSW.

The first of these concerns is that the annual rate-pegging limit does not adequately reflect the annual increase in the cost of doing the business of Local Government in NSW. As each year passes Councils get further and further behind the income levels they reasonably need to provide the levels of service required by local communities and State and Federal Governments. A further complication with rate pegging is that the same limit is set for all Councils without any consideration of the individual and revenue and expenditure constraints/needs of each Council.

A further concern is that rate-pegging is applied annually to a base amount from the previous year. This methodology has always presumed that the base from the previous year was sufficient for each Council. Rate-pegging would be far more acceptable if there were to be a review of each Council and an adequate rate base set to which all future rate-pegging increases could be applied.

Councils in NSW can apply for Special Rate Variations but these are usually only for capital works and are not generally approved for recurrent funding. The anomaly with this is that Councils are permitted to continue to build new infrastructure to accommodate increasing population levels but cannot raise sufficient funds to maintain what they are building.

Developer Contributions

Increased development in 'Sea Change' Councils such as Gosford brings with it the opportunity for developer contributions. The disadvantage that can derive from these contributions is that they are primarily used for capital works in the form of additional roads, drainage, footpaths, community facilities, playgrounds and the list goes on. While Council benefits from partial funding of these facilities the recurrent cost of maintaining these facilities comes from existing recurrent budgets.

Development in itself may well be a good thing to a certain level. However, in high growth Council areas, development leads to an increase in the population which leads to increased recurrent expenditure away from immediate development areas which cannot be adequately met from existing recurrent budgets even when the rate base increases.

These issues of development in high growth areas such as Gosford City Council are some of the factors that should be considered on a council by council basis when rate-pegging limits are imposed.

Financial Assistance Grant

There are a number of issues that need considering with the annual allocation of the Financial Assistance Grant (FAG).

The first concern is that the formula used by the NSW Grants Commission includes a discount factor. This factor is used to reduce the amount genuinely required by each council such that the total amount distributed to councils equals the total amount allocated to the NSW Grants Commission. The discount factor is currently in the order of 50% and this suggests that NSW, as a whole, is only receiving fifty percent of what is genuinely required.

It is also worthy of note that the NSW allocation for 2007/08 increased by 4.19% and this was considered insufficient by the Grants Commission. Gosford City Council's FAG allocation fell by 0.9% for the same year, while at the same time rate-pegging was set at 3.4%. The rate-pegging limit of 3.4% was well below the insufficient 4.19% increase allocated to the NSW Grants Commission. The end result of all this is that council falls further behind.

Part of the Grants Commission formula refers to the average property value for each council area. The presumption is that the higher the property values the more affluent the area therefore the less need for the Grants Commission to allocate funding. Council contends that this is not correct. Property values are market based on the principle of supply and demand. As people migrate to Gosford (Sea Change) and the population increases this has the predictable market effect of increasing property values. But just because property values have increased this does not mean that Council will increase its annual rate income as rate pegging prevents this. Council is therefore disadvantaged in the distribution of the FAG. In fact as discussed above, additional population creates a demand for increased services and facilities and therefore creates additional expenditure that should advantage rather than disadvantage council in the distribution of the FAG.

The national pool of FAG funds is losing value against various economic factors such as GDP and national taxation revenue. It is suggested that the tying of the national pool of

funds to one or more of these indicators will better allow Councils to manage their fiscal and social responsibilities.

Fees and Charges

Council's levy Fees and Charges, many of which are statutory. It is council's view that these Fees and Charges do not reflect full cost recovery and as such create impairments on Council's budget. It is considered that Council should have the opportunity levy current statutory Fees and Charges on a full cost recovery basis.

I wish to thank you for the opportunity to make this submission

Yours faithfully

Peter Wilson
General Manager