



KEMPSEY
Shire Council

MAYORAL REPORT

3rd February 2009

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| MM10 | RATE PEGGING V COST SHIFTING |
| | FILE: 321 CC: 484 MAYOR {Folio No. *} |

SUMMARY:

Reporting that the matter of rate pegging was raised by the Premier, the Hon Nathan Rees MP at the Local Government Association Conference at Broken Hill in 2008

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DESCRIPTION:

The Premier indicated that a review of rate pegging would be the subject of community consultation and the ultimate provision of additional services for the benefit of the community.

The question to be addressed is –

the ability of the ratepayers to pay

For many years local government has provided services which have been “shifted” from a higher level of government (Commonwealth or State Government) without the provision of corresponding funding or the conferral of corresponding and adequate revenue raising capacity. See [Appendix D – Page A11](#)

There have been surveys carried out by the Local Government and Shires Associations 2004 / 05, 2005 / 06 and 2006 / 07.

The 2006 Inquiry found that the total burden of cost shifting may be costing NSW local government approximately \$430m per annum.

Councils participating were asked to exclude corporate overheads and base their estimate of the direct net ongoing costs only.

The cost shifting ratio for the complete survey sample is 5.8% of total income before capital amounts for the financial year 2005 / 06 and 6.0% for 2006 / 07. The ratio for individual councils ranges from about 3% to about 12%.

RECOMMENDATION IMPLICATIONS:

- *Environmental*

Nil

- *Social*

The major concerns of ratepayers are:

- *the total of the rate bill and the ability to pay*
- *the provision of services to meet their requirements*

- *Economic (Financial)*

Councils are required to provide considerable funding to support services shifted from State and Federal Government.

- *Policy or Statutory*

Nil

RECOMMENDATION:

That a motion be submitted to the "A" Division Conference at Tweed Heads -

- 1. That the State Government be requested to review the impact on local government as a result of cost shifting with the aim of local government being provided with corresponding funding for services shifted to local government; and**
- 2. This review to be undertaken in conjunction with any consideration of rate pegging.**

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J H Howell
MAYOR