

27<sup>th</sup> August 2008

Review of the Revenue Framework for Local Government  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

By email [local\\_government@ipart.nsw.gov.au](mailto:local_government@ipart.nsw.gov.au)

Dear Sir

**Review of the Revenue Framework for Local Government**

This Council's submission to the subject review is attached for your consideration.

Thank you for the opportunity to make comment and participate in this important review.

The Council looks forward to your final recommendations regarding this matter.

Yours faithfully



Max Eastcott  
General Manager



## **Submission - Review of the Revenue Framework for Local Government**

### **1 What is the role of local government and how is it determined?**

The 1993 Local Government Act (Act) created a climate where Councils could more effectively respond to the particular needs within its communities. A broad mandate was issued and elaborated under the Charter outlined in Section 8 of the Act.

This broader mandate is appropriate as the diverse nature of local government areas and the varying expectations of residents require a degree of flexibility to chart and create the future for such disparate requirements.

### **2 How effective is rate pegging and what are the implications for councils and ratepayers?**

The regime of rate pegging is inconsistent with good governance.

As a legitimate level of government the responsibility of the elected Council must be to the electors of their constituency at each election and the performance of the Council should be judged in this manner. Rate pegging allows a degree of blame shifting, which is detrimental to the ability of the electorate to adequately assess the performance of their elected Councillors.

Rate pegging is and remains 'window dressing' for the State Government. Its introduction was ill considered, poorly managed and the myriad of changes over the years to improve the system have only made it a more unworkable public policy.

For example if an objective was to ensure consistency from one year to the next for individual ratepayers – it is a failure as every revaluation produces substantial winners (large reductions) and substantial losers (large increases) as the relative values change but the overall pool remains unaltered except for the allowable increase. The lie has been perpetuated over the years. The then Minister for Local Government, Kerry Hickey, advised State Parliament in 2006 that:

*... for the past 30 years rate pegging has protected the people of New South Wales from large rate increases.*

Vince Mangioni,<sup>1</sup> in his 2007 paper entitled, ***Funding Urban Australia The Role And Rate Revenue Of Local Government In New South Wales*** legitimately makes the point (emphasis placed into quote):

When rate pegging was introduced in 1977, there was little resistance from Local Government as Commonwealth Government grants were increasing during the Whitlam and Fraser period. As Commonwealth grant revenue declined whilst rate pegging remains in its present format, these two traditional sources of Local Government revenue have resulted in Local Government returning to its dire financial position of the late 1960s. Of primary concern in the review of State and Commonwealth arrangements for the funding and more importantly the regulation of income sources of local government, **is the uncoordinated approach and lack of consideration of the financial requirements of local government when changes are made to State and Commonwealth Government funding.** Despite the inclusion of Local Government in COAG, their inclusion amounts too little more than a token gesture on a committee which is primarily dictated by the Commonwealth Government. In 2004/05 the total tax take in Australia was AUD 278 billion of which the Commonwealth collected 69 percent excluding the GST which accounted for 13 percent. The States collected 15 percent and Local Government Collected 3 percent of the total revenue collected.

Obviously the share of Federal untied grants to Local Government has diminished over the last 30 years.

Also the introduction of rate pegging made no allowance for the existing rate base of each individual Council at the time that rate pegging was introduced. For example a Council that commenced on a 'low' base had very little chance to catch up without going through the onerous 'special variation' requirements.

More recently these variations are more likely to be successful and given the lack of transparency in the process it is unclear if the quality of submissions has substantially improved or the State Government has started to recognise the damage that has occurred over the years to the viability of local government.

The method used, a percentage increase across the whole of the Council notional rate's income, has only ever created confusion for individual ratepayers because no individual rate account accords with the restricted increase. This is even more skewed when a general revaluation occurs.

Rate pegging has contributed substantially to the poor state of local government finances and infrastructure as the tendency has been to curtail expenditure on maintenance to accommodate the income restriction imposed.

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<sup>1</sup> <http://www.fbe.unsw.edu.au/cityfutures/SOAC/fundingurbanaustralia.pdf>

Given the inability to catch-up foregone increases from past years, it seems unfair that future Councils are adversely affected by past Council decisions to not take the full increase allowed or, indeed, even reduce the rates to accommodate particular economic conditions within an area in the past.

### **3 What are the objectives for a regulatory framework for local government revenues?**

This is the wrong question.

The question should be 'does local government require a regulatory framework?'

This then raises the question of whether local government is indeed a legitimate level of government or simply to be considered as having little more status than a government department.

A significant paradigm shift is required, perhaps, on both sides – Local and State Government.

Rate pegging is just a symptom of this gradual erosion of the importance of local government. Yet in most research local government is considered more highly and valued more by its residents than other levels of government.

For a regulatory system to gain acceptance it must satisfy some basic criteria such as:

It must reflect the genuine needs of the regulated authority and accommodate the genuine concerns of the 'protected' group who benefit from the regulation;

It must be fair and reasonable;

It must have clearly defined objectives and measurable outcomes; and

When it is a restrictive financial raising regulation it must not overly or unreasonably restrict the authority from performing its statutory responsibilities.

Rate pegging, in its current form, does not meet these basic requirements.

The 2005-2006 Department of Transport and Regional Services Local Government National Report (page 15) stated:

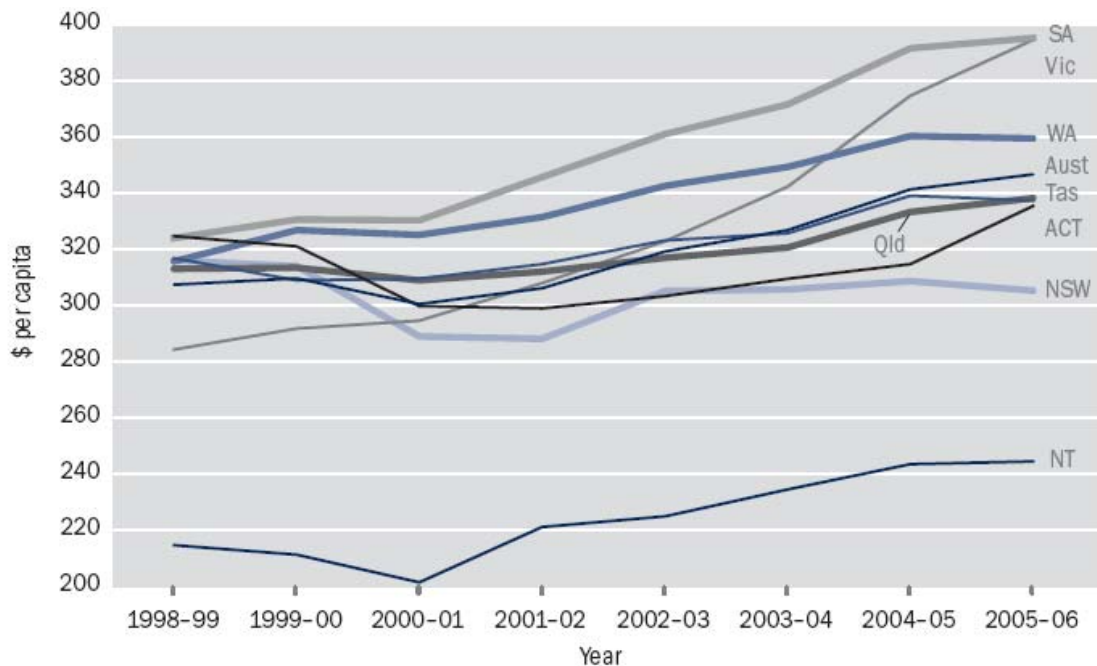
Figure 1.2 shows the changes in rate revenue per capita, net of inflation, from 1998–99 to 2005–06. Nationally rates increased in real terms by 12.8 per cent per capita during this period, although there was significant

variation between jurisdictions. Victoria had the greatest increase in real rates per capita at 38.8 per cent, while in New South Wales, where rate increases are capped, rates fell in real terms by 3.4 per cent.

Rates in each state and the Northern Territory are based on a valuation of the land upon which they are charged.

However, methods for assessing land value differ significantly between states (see Comparison of land value assessments used to calculate rates charges). New South Wales and Queensland have a statewide requirement that rates be based on the unimproved value of the land. Victoria, however, operates on a differential system where different valuation assessments are used depending on the type or the primary use of the land. In the Northern Territory a variety of systems may be used for rate assessments and the way they are applied is at the discretion of the individual council.

Figure 1.2: Local government rate revenue per capita from 1998–99 to 2005–06, expressed in 1998–99 \$, by jurisdiction



Source: Australian Bureau of Statistics, *Taxation Revenue*, cat. no. 5506.0 and Australian Bureau of Statistics unpublished data.

This details how NSW Local Government will need to seek special rate variations simply to maintain its funding position – most unreasonable. The growing infrastructure backlog is a legacy of rate pegging along with reduced grant funding and ‘cost shifting’.

**4 How does the current regulatory framework for council revenue, or any alternative framework:**

- **Promote the effective and efficient provision of services?**

Rate pegging is an extremely blunt instrument in terms of promoting the efficient or effective provision of services. The fundamental belief behind the imposition of rate pegging is that local government generally is unconcerned with its costs – this is, of course, untrue and has not been shown in any research material that this Council has perused.

Each Council is best placed to determine the effectiveness and efficiency of its operations. Of course benchmarking your service against industry norms is a useful tool but in the end the manner of weighing up the level of effectiveness of a particular service against the most efficient way to provide the service must accommodate local needs, geography and community expectations.

- **Enhance the financial sustainability of local government?**

As stated above it is more likely that rate pegging has contributed to a reduction in the sustainability of local government.

In response to community demand, and a general reduction of services from other levels of government along with a propensity of both Federal and State Government's to 'cost shift' their services, local government has expanded its services. Local government has endeavoured to accommodate these growing demands but something must eventually give and this was the on-going and adequate infrastructure maintenance.

As the LGSA stated in its 2003 document ***NSW Local Government Rate Determination Model<sup>2</sup>***, prepared by National Economics:

However, rate pegging has meant that Councils have contended with increasing costs requiring changes in discretionary expenditure while they meet the needs of ratepayers.

- **Meet the standard of principles for good regulation and taxation – efficiency, equity, simplicity, transparency?**

With or without rate pegging the advertising requirements for Council's Management Planning process meets the standards listed above.

- **Enhance the accountability of local government?**

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<sup>2</sup> [http://www.lgsa.org.au/resources/documents/rate\\_determination\\_model0703\\_291105.pdf](http://www.lgsa.org.au/resources/documents/rate_determination_model0703_291105.pdf)

Once again it is difficult to equate rate pegging or other cost control processes with the concept of 'accountability'. Indeed, the ability to 'blame shift' for service delivery reduces the accountability of the elected Council to its community.

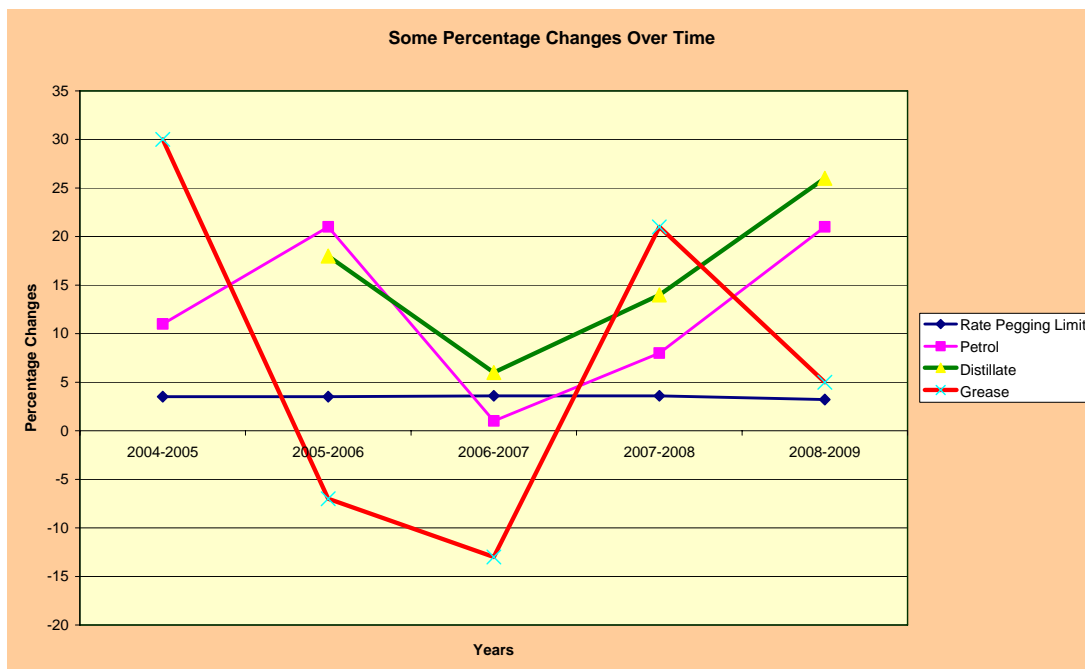
Accountability is an important and fundamental component of democratic government and best practice management.

The ultimate accountability of local government is to the electorate and good governance procedures will ensure that the flow of accountability continues throughout the organisation to ensure that each level has in place the mechanics to highlight any movement away from an unacceptable practice.

### 5 What role should IPART play in setting local government rates and charges, including charges for non-business activities?

Subject to the above general comments, the continuation of rate pegging would be enhanced if an objective body, such as IPART, was charged with the responsibility of determining in a transparent manner the legitimate cost pressures on local government. Past decisions under the current arrangement have not adequately reflected the relevant cost pressures confronting local government.

Gwydir is a rural Council and the following table highlights some of its cost movements across a range of products to highlight the volatility of its work environment against the allowable rate pegging increases. These types of variations occur across the great bulk of its operational inputs.



IPART could also evaluate the different cost pressures on different areas as the one size fits all approach does not reflect the reality that local government works within, especially rural and remote local government.

It would also be useful if timelier and earlier determinations could be made to aid in the budgetary process.

**6 Should IPART have a determinative role provided by legislation or should IPART's role be limited to making recommendations, if and when requested by the Minister?**

Any change should be supported with an appropriate change to the relevant legislation with specific protections to make objective determinations without political interference or directions.

**7 To what extent do government authorities - such as SHFA, SOPA, RWA and the GCCs**

- **provide services that duplicate or overlap with those of local government?**

This does not apply to Gwydir Shire Council.

**8 What are the implications for local government rates where these authorities provide services normally provided by local government?**

NA

**9 Should a common regulatory framework be introduced for these authorities?**

NA

**10 Is the Department of Local Government modification of the Australian Classification of Local Governments (ACLG) a suitable framework within which to consider the differences between councils?**

The current classification system should be reviewed to better differentiate particular anomalies between Councils that currently have the same classification.

**11 How does the current regulatory framework impact on the efficiency of rate setting by councils?**



The often late determination of the allowable limit under rate pegging often tends to require a re-evaluation of the draft budget.

The best method to determine the level of rates required to fund work, obviously, is to establish the reasonable needs of the community and then set the rate accordingly. Under rate pegging the exact opposite is true – Councils endeavour to guess the allowable increase and determine its budget against the expected income.

As mentioned elsewhere, rate pegging coupled with the lack of appropriate financial support through untied grants and legislated ‘cost shifting’ without full or any funding, has created an untenable and unsustainable financial position for local government, in the long term.

## **12 What is the current role of Local Government and its limits? Where does this role come from? Is it self imposed or is it legislated?**

Gwydir Shire Council attempts to meet the expectations of its community, which are more towards the maximalist end of the Allan Report spectrum.

However, given the relative remoteness of this Shire the ‘welfare’ type services provided by the Shire are not a duplication of a service but, rather, a substitute because they are simply not provided locally or the lack of public transport options make the availability of the services in larger adjacent centres unavailable to the potential user.

When a particular welfare type service is beyond the capacity for this Council to financially conduct, a Council provided community transport system operates to transport the residents to the service.

The Council’s range of services is totally driven by the demands of residents as determined through strategic documents such as the Social Plan and State of the Environment Plan. These plans are integrated into the Council’s overall management planning process.

The current legislation is flexible enough to allow Councils to meet these community based needs which are often not considered to be ‘bread and butter’ local government activities.

Obviously, as Councils attempt to pick up the service deficiencies from the other levels of government and cope financially, especially with the rate pegging limits, the maintenance of infrastructure is the area that suffers a reduction in adequate funding.

## **13 What should be the limits on the role of local government?**

This should be driven by the reasonable needs of the community being served by the local government area. These needs should be determined through the development of a strategic response following the appropriate consultation phase.

#### **14 What infrastructure and services do councils currently provide?**

Gwydir Shire Council attempts to meet its responsibilities under the Charter outlined within the Act.

Basically this Council provides a range of services covering the traditional 'roads, rates and rubbish' along with a range of community services from youth and recreational activities and promotion to operating 2 medical centres with walk-in, walk-out medical staff, facilitating the implementation of community initiated plans, the Gwydir Learning Region strategic partnership with the Department of Education & Training and other education providers, aged care hostel facilities, etc.

#### **15 What infrastructure and services should councils be responsible for?**

Councils should provide the identified needs required by the communities. This may seem a trite comment but it is a statement of great substance. As mentioned earlier in this submission local government consistently is identified in research data as the level of government most trusted and admired by the general population.

Why is this? Simply put it is because local government has the best understanding of the particular and at times peculiar needs of its area. Solutions and policy positions are not imposed but rather they are developed in consultation with the community.

#### **16 To what extent is there overlap with other levels of government?**

There is no doubt that there is an overlap of service provision within the current three levels of government within NSW and Australia in general.

The best practice delegation principle should be applied in this area – that is to delegate down to the 'lowest' level possible consistent with ability and the appropriate accountability measures.

This is not achieved within our current governance structure.

The State Government has not, in the past, endeavoured to forge a genuine strategic partnership with local government to improve service delivery, especially within rural and remote areas.

When local government is used it is usually an imposed duty and often not funded appropriately if funded at all. Recent Reports have detailed the level of 'cost shifting' that has occurred.

The current duplication of regulatory agencies involved in, for example, the processing of Development Applications is evidence of the 'red tape' that inhibits effective inter-governmental responsibilities.

The relationships between the three levels of government lack the trust needed to make the system work in the most effective and efficient manner possible. There is an inverse relationship between trust and rules – the less trust, the more rules.

### **17 To what extent do service levels vary between councils in their scope, value and quality of infrastructure and other assets?**

Invariably there will be significant differences between local government areas with regard to this answer.

These differences were in evidence when the Shire of Bingara, Yallaroi and part of Barraba were amalgamated to form Gwydir Shire Council.

This amalgamation highlights that the differences can also be substantial between rural areas, as well as between Metropolitan and Rural areas, that may appear superficially to possess the same characteristics. For example the former Bingara Shire Council was a 'maximalist' Council whilst Yallaroi was a 'minimalist' Council. Both legitimate positions and no doubt reflected each Council's community expectations. These cultural differences are manifested in the rating strategies adopted.

As with all rural councils there are periods of varying on-farm incomes due to climatic variations. When rural Councils modify their increases to reflect a poor season these rate changes, when less than the allowable rate pegging limit, are lost forever under the current rate pegging regime.

### **18 What factors cause differences between councils provision of infrastructure and services to arise?**

The most obvious factors are the impacts of demographics and local geography. Councils respond to the needs of their communities.

For example a larger % of population in either the 60+ or below 20 years will necessitate a different range of services and also impact upon the Council's ability to raise revenue.

Obviously, other factors will impact as well such as:

The inherent wealth of a community;

The easy accessibility and availability of services provided by other levels of government; and

The availability of services that are funded using population and/or location as a determinate (eg. Medical, education, etc)

**19 To what extent are ratepayers satisfied that Councils provide services that are appropriate and delivered effectively and to acceptable standards?**

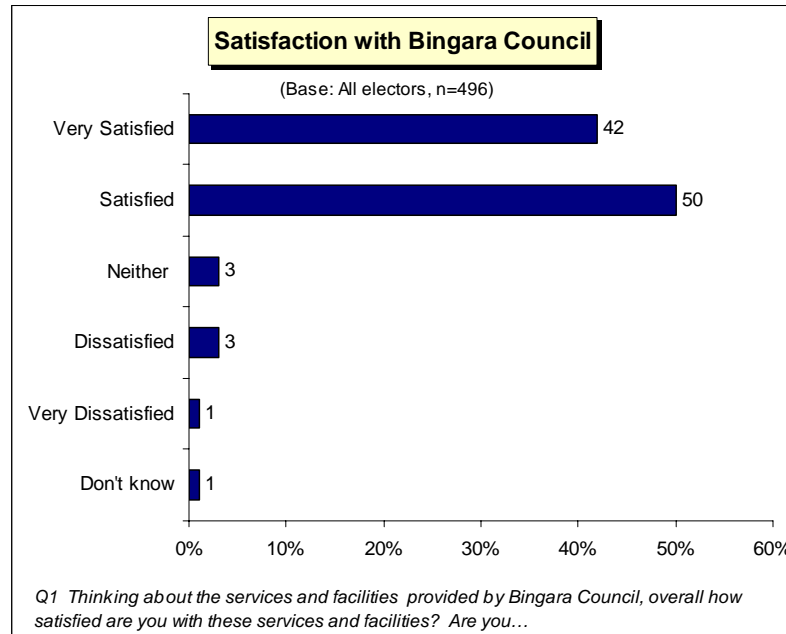
Each Council can only speak with any authority about its own area. The last comprehensive survey of ratepayers undertaken in this area was by the former Bingara Shire Council just prior to the amalgamation. This survey was undertaken by A C Nielsen in 2003. The results were very encouraging as the following extract details:

### **Satisfaction with Council Services**

**Overall Satisfaction**

Electors were asked how satisfied they are with the services and facilities provided by Bingara Council. The results are shown in the following graph.

- Satisfaction with Council services and facilities is extremely high. Just over nine in ten electors (92%) are at least satisfied, and 42% are *very satisfied*.
- Very few electors (4%) report dissatisfaction with Bingara Council's services and facilities.
  - ⇒ Satisfaction tends to be highest amongst older electors (46% of those aged 60+ years are *very satisfied*) and lower amongst younger electors (33% of 18-39 year olds are *very satisfied*);
  - ⇒ Those who have been living in Bingara for 15 years or more report higher satisfaction levels than those who have been there for 5-9 years (44% versus 26% respectively, are *very satisfied*).



**20 What demographic, intergovernmental, economic, social, technical and environmental changes are affecting Councils now and their future revenue requirements?**

Demographic – changing populations both positive and negative growth along with changes in the community’s age profile certainly impact upon revenue and a community’s ability to pay.

Intergovernmental – the reduced support for local government over the last 30 years from both State and Federal Governments together with an increase in ‘cost shifting’ have had an impact on local government revenue.

Economic conditions, of course, impact upon local government.

Social, technical and environmental also have an impact on the operations of local government depending upon the importance placed on those areas by individual Councils.

**21 What are the implications of the different revenue sources and revenue raising capacities for rate pegging or alternative regulatory frameworks which may be proposed?**

The best outcome is for rate pegging to be acknowledged as a failure in its application and applicability in the economic reality facing NSW local government at present.

Any revised regulatory framework must take as its starting point that local government requires a substantial increase in its revenue raising capacity

supported by equitable and appropriate arrangements with the State and Federal Governments.

Property based taxation was initially the source of funding for local government. This has changed substantially over the last 20 years. The relationship between the rates raised by Councils and the Land Tax raised by the State Government needs to be readjusted. It is likely, at the current growth rate, that the State's Land Tax will exceed all the rates raised by local government in NSW in a very short time.

**22 What scope is there for councils to make greater use of user charges?**

There is only limited opportunity for Councils with relatively low growth rates to make greater use of user pay charges. Most rural Councils are constrained due to the relatively low household income within its communities. Obviously larger metropolitan Councils are in a better position to expand their income base in this manner.

**23 To what extent has the control of rates revenue under the rate pegging regime limited overall revenue growth or encouraged greater use of non-rate revenue?**

Local government has been forced to explore every potential income avenue to maintain its ability to meet the growing demands from its community for services.

The recent 'sub-prime' problem with the quest for 'just that extra percent' on invested funds is symptomatic of the financial pressure being placed on local government. The pursuit of maximizing investment returns or, for that matter, seeking large developer contributions is now ingrained into the management ethos of some local governments to make up the shortfall.

**24 To what extent are local governments' expenditure requirements likely to grow in the future?**

The steady reductions in maintenance funding will start to really bite over the next decade and expenditure levels must increase to either repair and/or reconstruct the asset base or simply accept that the asset is no longer viable and ceases to be usable.

This coupled with the growing expectations from residents will increase expenditure demands on each Council. These demands cover both an expansion of services and an improvement in the provision of existing services. These requests are both reasonable but must be funded.

**25 What are the implications of this expenditure growth for rate pegging or alternative regulatory frameworks proposed by submitters?**

As mentioned in this submission the level of allowable rate limit increases have usually not allowed the Council the growth in its revenue base to maintain the existing service levels nor improve an existing service.

**26 What is an appropriate level for the net liability ratio and what obstacles prevent local government from making greater use of loan borrowings (debt) as a means of financing priority infrastructure renewal/replacement?**

The ability to service debt is tied to the growth potential of Councils. Therefore the debt servicing ratio for higher growth Councils can be significantly higher when compared to lesser growth councils.

Of course a council's ability to service debt is affected by this perpetual reduction, in real terms, in revenue as a result from rate pegging from rates whilst the cost of debt maintains its relative value.

**27 Are there any other significant factors affecting financial performance of local government?**

The level and extent of 'cost shifting' from other levels of government has had a detrimental impact upon local government. The continuing delay in determining a more equitable, long term, solution regarding a funding solution is a concern.

The problem was clearly identified in the report issued by the Standing Committee on Economics, Finance and Public Administration<sup>3</sup> following its *Inquiry into Local Government and Cost Shifting*.

**28 To what extent does rate pegging affect financial sustainability?**

See comments number 2

**29 What are the appropriate measures for efficiency of local government?**

See comments number 3

**30 To what extent have councils undertaken efficiency reforms and has this been effective?**

To a large extent rate pegging has forced what seem to be efficiency reforms but it has often not resulted in effective reforms. It could be argued that the efficiency

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<sup>3</sup> <http://www.aph.gov.au/house/committee/efpa/localgovt/report.htm>

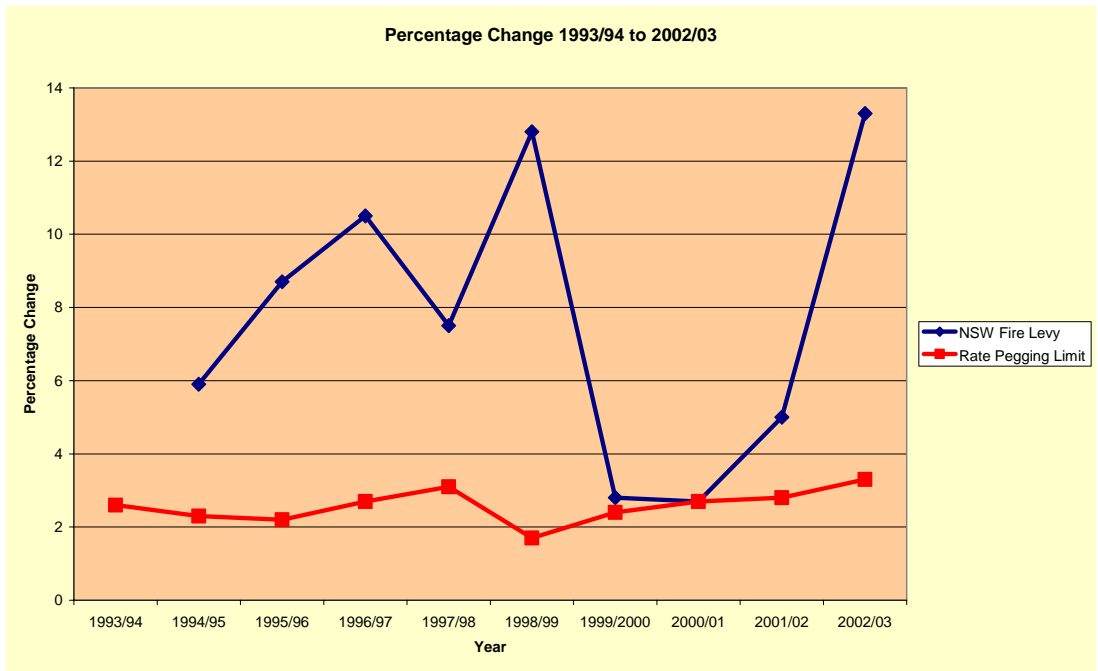
reforms have occurred as a result of adjusting to an expanded service delivery base but this may have been accommodated by curtailing expenditure in other areas for example asset maintenance.

Apart from ‘robbing Peter to pay Paul’ it is also clear that local government has improved the unit costs of service delivery across a range of services due to the better use of technology, less restrictive work practices and other initiatives.

**31 How does rate pegging and other constraints on councils’ revenues affect the efficiency of councils’ operations?**

See comments number 4

It is interesting to note that the State Government does not impose similar fiscal restraint on its other areas of operations. The following table highlights the cost movements in the statutory charges that Councils pay to the NSW Fire Brigade<sup>4</sup> and compares these annual increases to the rate pegging limits imposed:



**32 If variations under Section 508(2) provide for an escalated base for future rate increases under rate pegging, what benefits do councils gain from making application under the alternative Section 508A?**

The only advantage to seeking a rate increase under Section 508A relates to funding for a specific purpose program being implemented, which is time limited.

<sup>4</sup> Information from page 42 <http://www.apf.gov.au/house/committee/efpa/localgovt/report.htm>



**33 What is the frequency and pattern of individual council requests for special variations to the rate cap?**

Gwydir Shire Council, nor its former Councils of Bingara and Yallaroj, have applied for a special variation over the life of rate pegging. This was not the result of adequate funding but rather the Council's desire, in most years, to limit the rate burden imposed on its residents. To make any application worth while, given the Council's relatively low rates' base (\$4.8 million) a large increase would need to be sought and this was seen as unacceptable.

**34 Are rate pegging special variations becoming the norm rather than the exception with local councils and should alternatives to existing rate pegging practices be considered to provide greater certainty for councils and reduce the need for Government approvals?**

Special variation applications are becoming more common simply because they are needed to meet basic service obligations. Yes, a workable alternative is required and the increasing numbers of applications is an indictment of the failure of rate pegging.

**35 Given the role of special variations and the other revenue sources for local government, does rate pegging effectively constrain the level of rates and total revenues for local government?**

Yes it does. For smaller Councils, such as Gwydir the effort of applying for an increase, other than a massive one, is not worth the trouble. When, for example 1% increase is only \$48,000. Whereas a 1 percentage point increase over a few years above the allowable limit would make a significant contribution to the Council's financial situation. The lack of transparency in the process and uncertainty of success does not encourage the effort required, especially for smaller local governments.

**36 Should councils be able to achieve a permanent increase in revenue by applying for a special variation?**

Any variation should be a permanent change to the Council's rate base. Future Councils should be free to make the decision to reduce the rates' burden if it wishes due to the circumstances that exist at that time.

**37 Does rate pegging increase the affordability and/or availability of local government services especially for poorer regions and sections of the community?**

The income potential for Councils should not be restricted and used to achieve the social outcome of subsidising poorer regions or sections of the community.

This sort of welfare subsidization should occur at the State or Federal Level. By using local rates in this manner, without adequately compensating Councils with grant funding, creates second class areas of poverty or disadvantage.

**38 In addition to the Pensioner Rebate Scheme, are there any other specific measures that could be introduced to address any social impact issues arising from the regulation of council revenues?**

Adequate recognition of the 'cost shifting' burden financially would greatly assist local government as would the payment of rates on State and Federal owned land.

**39 Which performance measures should be developed for councils (or groups of councils) to provide information on outcomes, outputs, processes, inputs and cost effectiveness in their service delivery?**

See comments in number 4.

**40 If there are negative unintended effects on financial viability, what modifications or alternative mechanisms would reduce these?**

The current rate pegging would be improved if the following two measures were introduced:

If the Grants Commission established for each Council the total notional rates' income base required for each Council to remain viable and this became the benchmark for rate pegging increases; and

When revaluations occurred that no individual rate account could be reduced from the previous' year's levy.

These two measures would create a level playing field by eliminating the 'low commencement base' problem and also build in an escalation factor whilst ensuring lower general increases.

One example of an unintended consequence and the State Government's response will highlight the sort of problems that occur. With the introduction of revaluations or, more recently, the changes in the handling of water entitlements to land, it is possible for massive increases to occur in rural rating – the Government's solution was to restrict the increase to a maximum of 20%.

Of course the preferred 'alternative mechanisms' in the long term is a more equitable funding solution between the three levels of government.

**41 To what extent does rate pegging enhance or diminish the revenue raising by local government when assessed against the above**

**criteria for taxation options by altering the revenue mix or enhancing/diminishing criteria such as efficiency, equity, simplicity, and accountability.**

The 'simplicity' argument in your paper does not allow for the very real and complex arrangements required to make the system work both in terms of the external IT consultants/providers and the administrative effort required within the organisation.

The large variations that occur within individual rates' assessments following revaluations reduce the certainty of rates and result in some examples of inequality in the short term although, hopefully, this is stabilized and corrected over the long term. However, a high degree of certainty is probably preferred by individual ratepayers. This situation would be improved with annual revaluations but at significantly higher administrative costs.

On the question of accountability please see the comments in number 4.

**42 What alternative regulatory models could be used to regulate rates and charges in NSW?**

See comments in numbers 3 and 40.

**43 How do the various alternatives rate against the criteria listed above ie, financial accountability and governance, financial sustainability, comparative efficiency and effectiveness indicators including affordability and availability of local services and facilities?**

The option 5<sup>5</sup> would be the preferred outcome for Gwydir Shire Council. This option would also enhance the accountability outcomes to an individual Council's community.

The other options would have the same faults inherent in their application that have been outlined in this submission.

**44 What role should IPART play in setting local government rates and charges in future years?**

See comments to number 6

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<sup>5</sup> **Institute measures to enhance accountability to the local community and remove mandatory rate pegging.** This option includes compulsory reporting on a comparable basis to enable comparisons between councils. Where councils fail to meet these criteria a default rate cap could apply. While IPART has included this option for discussion, it notes that the Minister for Local Government favours the continuing of rate pegging

**45 How should IPART's role be implemented (for example, by a legislative amendment giving IPART a determinative role or by a terms of reference from the Minister requiring recommendations from IPART)?**

See comments to number 6

**46 Whether a common legislative or regulatory framework be introduced to improve consistency in the levying of charges by authorities (such as SHFA, SOPA, RWA and GCC) that provide services akin to those provided by local government?**

NA

**47 The best form for this legislative or regulatory framework to take?**

NA

**48 To the extent that these authorities provide services that overlap with or duplicate those of local government, what benefits and disadvantages arise from the duplication of service provision?**

NA

**49 To the extent that these authorities provide local government services how should the costs of these services be recovered? To what extent would these arrangements promote:**

- Efficiency
- Equity
- Simplicity
- Transparency.

NA

**50 Similarities and significant differences (in quantum, scope or standard of service) between SHFA, SOPA, RWA and neighbouring councils in regards to:**

- current regulatory frameworks including governance arrangements, accountability to the local community and the role of the State Government in setting fees and charges and determining revenue levels and/or mix
- property related services including land use planning, the processing of development applications, development activities, the levying of developer contributions, conservation of natural and cultural

- heritage, management of public domain areas and provision of infrastructure**
- management of major events and regional promotions, and**
- responsibilities under the *Roads Act 1993*.**

NA

**51 The potential overlap between the Growth Centres Commission's development approval and infrastructure planning processes and those used by Growth Centres Councils.**

NA

**52 The extent to which SHFA, SOPA, RWA and the GCC, respectively, impact upon the costs incurred and revenues generated by the corresponding councils.**

NA